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European Security, Russia's Relations With NATO Viewed

954F0364A Moscow NEZAVISIMAYA GAZETA
in Russian 16 Nov 94 p 2

[Article by Tatyana Viktorovna Borisova, executive director of the Council for Foreign and Defense Policy: "NATO Plus Russia? New Problems of European Security"]

[FBIS Translated Text] Many kinds of conferences, symposia, and debates on questions of the creation of a system of European security, justification of the existence of NATO, the expansion of this alliance, the attitude toward the Partnership for Peace program, the perception of Russia in the new political situation, and so forth, at which diametrically opposite viewpoints on all these matters have been expressed, have been conducted recently.

Dwelling on the concepts of "collective security" and "collective defense" for the main international security organizations (the United Nations, the CSCE, the European Union, the Western European Union, NATO, and others), specialists in this sphere are focusing their attention on the role and functions of NATO as an organization capable of performing missions for the protection of its members against external threat. The question arises in this connection: How, given its expansion, should NATO behave in the event of conflicts between its new members arising? And then the next question suggests itself: Which countries may be admitted to NATO and how should this alliance build its relations with the new democratic states? In the light of the signing of the Tashkent Treaty the main point in this debate is the role of the CIS. It is perceived in dual fashion: as an organization to ensure collective defense and as a collective security organization. The CIS is interpreted as a bloc that is counterposed to the NATO bloc and that creates a threat to European security. It is important to explain Russia's attitude toward the CIS countries here.

The future architecture of European security will largely depend on the role and importance of the CIS inasmuch as under the aegis of the CSCE the regional division of labor within the framework of the concept of security will evidently develop between NATO and the European Union on the one hand and the CIS on the other. At the same time European security will depend also on how Russia's relations with the former Soviet republics are structured, to which the West is reacting with extreme sensitivity.

European security is threatened currently not by the possible military confrontation of two blocs, as was the case earlier, but mainly, aside from social, economic, and environmental problems, by the growth of nationalist sentiments and, accordingly, the exacerbation of ethno-political conflicts, which are loosening European security. These problems are particularly acute in the

postcommunist world, which is experiencing a difficult period of transformation from totalitarianism to democracy. The unsettled nature of sociopolitical processes and their unpredictability on this vast territory influence European security most directly and demand new approaches to the safeguarding of the latter with the participation of all European states.

We should take as a basis the European organizations that already exist: the CSCE, the North Atlantic Cooperation Council, the European Union, and others, and set the task of the coordination of these security structures and the location of joint paths where we can be of use to one another.

As of the present the CSCE, NATO, the North Atlantic Cooperation Council, and the European Union represent real and fundamental components of the new architecture of European security. The gradual expansion of their activity thanks to the incorporation in their structures of the East European states would seem inevitable, evidently. The rate and forms of affiliation of the postcommunist states to these structures will be determined depending on the development of internal political processes and the results of the reform policy.

The CSCE, as a most important institution for the adoption of political decisions on questions of European security, could establish close cooperation with NATO, which on the basis of its mandate would participate in peacekeeping operations in Europe and the preservation of peace in the East European region. Of course, this would require a revision of NATO's foreign policy doctrine and the renunciation of many settled cliches of thinking, but there is no escaping this, obviously.

The structures of European security that are created, as also European security itself, may be stable if the interests of Russia are taken into account and its place in the all-European process of the building of a system of European security is determined. The question of Russia's real interests in the sphere of European security and the ascertainment of the factors which condition Russia's actions in this sphere is very important, therefore.

Russia's attitude toward an increase in NATO's role in Europe and toward Russia's cooperation with NATO is highly contradictory. This is connected primarily with the struggle of various political forces in Russia for determination of the paths of its development and, accordingly, with various views concerning its place and role in the world and in Europe. At the same time, on the other hand, certain statements which are being made in the West also are provoking certain forces in Russia into making negative evaluations of NATO's role in Europe....

But there are also other approaches, which proceed from a positive evaluation of the possibilities of NATO in the safeguarding of European security. The struggle of these two lines in Russian foreign policy is not yet over, and surprise turns are possible here. The outcome of this

struggle will ultimately depend on the outcome of the reforms, whose results will both determine Russia's place and role in Europe and the world and, correspondingly, shape its foreign policy. Within the framework of this political struggle Russia is formulating its position as regards an expansion of NATO thanks to the East European countries.

The aspiration of the East European countries to join NATO is perfectly understandable. They see this cooperation as a telling factor of a strengthening of their positions in Europe and of "entry into Europe." In addition, there are fears there, mostly contrived, that Russia, with its great-power ambitions, could represent a threat to their security, and they would for this reason feel more comfortable under the NATO umbrella.

Russia's attitude toward an expansion of NATO thanks to the East European countries is, at both the official and unofficial levels, mainly negative. It is seen unequivocally as a challenge to Russian security. And to fail to take account of this mood in Russia at this time would be a mistake. It would most likely be correct on the part of the NATO leadership, therefore, to adopt decisions that do not force the expansion of NATO. And Russia, for its part, if it wishes to prevent an expansion of NATO, should confidently put the reforms into practice, securing for itself thereby authority and trust. It could on this condition establish stable cooperation with NATO on a basis of trust and mutual benefit.

It is obvious that Russia's relations with NATO signify for it a key aspect in the determination of its place in the all-European process. A refusal of cooperation with NATO and a confrontational attitude toward it would inevitably lead to an exacerbation of the situation in

Europe on the one hand and the increased isolation of Russia in Europe on the other. Neither NATO nor Russia need either. At the same time, on the other hand, Russia's affiliation to NATO also is unlikely in the foreseeable future, considering the extent to which it is burdened with internal economic problems and sociopolitical instability. But NATO's expansion without Russia would signify their confrontation also—voluntary or involuntary. The expansion of NATO without Russia, given the relative weakness of the CSCE, would probably lead to Russia being ejected from the main system of European security for several years, at least. Obviously, the way out of this adverse situation should be sought on the paths of the development of all-around cooperation between NATO and Russia, with regard to its interests on matters concerning an expansion of NATO. In my view, the optimum resolution of the current situation for Russia at this stage could be the Partnership for Peace program. Although there is no doubt that this program will not of itself resolve all security problems.

The development among Russia and NATO and Europe of all forms of cooperation and a deepening of mutual understanding and trust are in their interests. We should find answers to the questions of how to cooperate and how to develop and improve our relations. We should not, probably, stop only at the Partnership for Peace program here and view it as the sole possibility of the safeguarding of military security in Europe. We should move further along the path of the location of new points of contact and understanding. And it would be expedient here to think through for the future the possibility of the conclusion of a treaty independent of the Partnership for Peace or the elaboration of a program of cooperation between Russia and NATO.

Russian-Estonian Dispute Over Pskov Territory Eyed

954F0428A Moscow *SEGODNYA* in Russian
22 Nov 94 p 3

[Article by Yuriy Golotyuk under the rubric "Borders": "The Double-Headed Eagle on the Russian-Estonian Border: The Border Is Not Yet Secure, But It Is Already Being 'Locked'"]

[FBIS Translated Text] President of Russia Boris Yeltsin intends to visit Pskov Oblast tomorrow. It is planned that Mr. President accompanied by the director of the Federal Border Service (FPS), RF Lieutenant-General Andrey Nikolayev, will visit the Russian-Estonian border in order to be personally assured how his edict dated 18 June 1994 "On Unilateral Marking of the Russian-Estonian Border on the Ground" is being fulfilled.

Russian borders in the Baltic sector differ fundamentally from the other new borders which emerged after the dissolution of the USSR. Here the new states which are Russia's neighbors are not bound by CIS ties (no matter how illusory these ties are). Here the new border being created by Russia approximates the one which the Union had with the countries adjacent to it. Finally, here one of the most serious territorial claims is being made against the Russian Federation by its neighbors: the notorious "eastern territories" which Estonia disputes with Russia. And as a result of this, here Russian citizens are building up the Russian state border unilaterally, which in itself has no precedent.

In principle the Russian-Estonian segment constitutes a negligible part of the total length of the RF state border: some 112 kilometers on land, 143 kilometers along lakes, 142 along the sea, and 84 along a river. Nonetheless, the inflexible position its neighbors are taking is creating a lot of border problems for Russia in precisely this tiny segment. Official Tallinn cites the Tartu Treaty of 1920 and is demanding from Russia a territory about 2,300 kilometers in area which is now part of Leningrad and Pskov oblasts; this was fixed by the law on the border adopted by the Estonian State Assembly on 30 June of this year. But Moscow adopted the decision to confer the status of state border on the former administrative border which existed between the RSFSR and the ESSR. And accordingly, it began to mark off the border, rejecting the claims on the "eastern territories."

At this point 682 Russian border columns have already been installed. All that remains is to fasten the double-headed eagle on them. "As ordered by presidential edict,

we will finish our work by the end of the year," the commander of the Northwest Border District, Lieutenant-General Vladimir Vyunov, assures people. True, there was a hitch marking the water boundary which passes through Chudskoye Lake. According to the general, installing the buoys will have to wait till spring now, since the Ministry of Defense, which was commissioned to do it, did not manage to before the lake froze up. Incidentally, with the installation of the border columns, the Russian-Estonian border frictions are taking new forms: In late October an attempt had already been made by residents of Estonia to uproot one of the columns in the section of outpost No 7 of the Kingisepp Border Detachment.

Incidentally, columns are all well and good, but approximately 150 billion more rubles [R] will have to be spent to finish work on this segment of the border, according to the district commander's figures. Finishing work on one border outpost now costs R4.5-5 billion, and at present only two have been finished. The personnel of an outpost are billeted wherever possible: at tourist centers and in residential buildings. A road network must be built in the 5-kilometer border zone, one which will enable mobile groups to reach places where the border has been violated promptly. And that is not easy: Marshes extend for tens of kilometers along the border river Narva. Frontier guards must be supplied with reliable observation equipment. Especially since, according to the FPS leadership, the creation of a fullfledged border (with barbed wire, monitoring and tracking strips, and electronic signaling systems) like the one which Russia traditionally has in other northwestern segments, with Finland or with Norway, is not planned here.

The frontier guards themselves claim that expenditures to finish work on the border with Estonia will be repaid with interest. Even now, essentially at the very start of the development of a normal state border here, the number of violations have been substantially cut: from 541 last year to 217 this year. Weapons supply channels to Russia, which Estonian smugglers specialize in, are being cut off (440 "barrels" have been caught at the border in 1994) and the export of nonferrous metals from Russia and the transit of narcotics are being stopped (the frontier guards in Pechory apprehended 3.5 kilograms of narcotics last week alone). So, in the opinion of those who serve here, it is certainly not to frighten its western neighbor that Russia needs columns with the double-headed eagle on the border with Estonia.

ECONOMIC & SOCIAL AFFAIRS

Yeltsin's Edict on Compulsory Payment to Budget Criticized

954E0188A Moscow KOMMERSANT-DAILY
in Russian 9 Nov 94 p 5

[Article by Yelena Stanova, under the "ARB Press Conference" heading: "Banks Still Unable To Overcome the Central Bank, the Finance Ministry, and the Tax Service"]

[FBIS Translated Text] Yesterday in Moscow, the leadership of the Association of Russian Banks (ARB), held a press conference concerning the newly effective procedure for the application of the provisions of Presidential Edict No. 1006, "On the Implementation of Complex Measures for the Timely and Complete Inclusion in the Budget of Taxes and Other Mandatory Payments." Once again, the bankers subjected this document to harsh criticism. Thus far, however, their actions have had no effect. Today the ARB must hold the line on virtually two fronts. Yesterday, on the same day as the press conference, the association published a letter in which it protested accusations against the banks for having "dumped" the ruble on 11 October (see the article on this page). The chronological coincidence of these two events, both so unpleasant for the banks—the procedure on the application of the edict's provisions going into force and the Security Council's preparations of its report on the reasons for "Black Tuesday"—could lead to serious complications in relations between the authorities and the banks.

The statements made at the press conference by ARB President Sergey Yegorov, Inkombank chief Vladimir Vinogradov, and Tekhnobank President Garegin Tosunyan make it clear that the joint document issued by the Finance Ministry, the Central Bank (TsB), and the State Tax Service (GNS) is going to have at least three unpleasant consequences for the banks and for Russia's economy as a whole.

First, a large number of medium and small banks could go under, because their clients, according to Mr. Yegorov, have begun closing accounts where they have been banking for several years in order to move to large banks. This is particularly sad if you bear in the mind that 75 percent of all Russian banks are banks with authorized capital of less than R1 billion.

Second, in the short term, the new procedure is going to stimulate strengthened competition among banks (Mr. Vinogradov reported that for his bank the new procedure had resulted in the loss of 10 major clients in Moscow branches and 50 in regional branches). However, in the future (when the small banks "die out" and the large banks carve up the spheres of influence), competition will weaken in the banking sector.

Third, opportunities for large enterprises to obtain the major loans they need are narrowing. According to Vladimir Vinogradov's calculations, at his bank alone,

client indebtedness will drop by \$200 million-\$250 million (the total indebtedness for the Inkombank is \$800 million). The volume of loans issued for the economy as a whole will drop by \$5 billion.

Fourth, clients' opportunities to diversify risks will be fewer. More simply put, clients will have to put all their eggs in one basket, which will make them dependent on the financial status of a single bank.

Fifth, the application of the new procedure will create confusion in relations between banks and exporters, since great numbers of documents on contracts already signed for next year will have to be drawn up all over again. As a result, according to Mr. Vinogradov's prognosis, the volume of Russian exports will decline during the first half of 1995. And sixth, the illegal requirement to inform the tax organs about all operations by private persons for sums over \$10,000 will cause an outflow of deposits from legal structures.

Bankers are dispirited by this attempt to force on the banks the inappropriate functions of agents of state control over enterprises and citizens. Overall, Vladimir Vinogradov ascribed the appearance of the document under discussion to the "longing of some of officialdom" for the pre-perestroika days, when enterprises were strictly tied to one of a few banks.

[Box, p 5]

From the ARB Letter to Prime Minister Viktor Chernomyrdin:

The obvious consequence of the requirements set forth (in particular, the requirement to have one account in each of the applicable currencies—KOMMERSANT), which is being felt acutely already, is the toughening of the competitive struggle between banks for clients. The requirement to close "extra" accounts will be especially ruinous for small banks serving a small number of clients....

Closing "extra" accounts, whose balances serve to guarantee the repayment of a loan (and operations through such accounts are an instrument of control over the receipt of funds addressed to borrowers) will definitely make the lending bank demand early repayment of loans in connection with the loss of this instrument, which will affect the status of borrowers, especially in the production sphere....

From the standpoint of banking and foreign trade technology, closing accounts will lead to confusion in relations between the exporter and importer and, in the final analysis, to a weakening of control over the repatriation of export earnings....

In connection with the above, we request that you instruct the Finance Ministry, GNS, and TsB to make corrections in their normative instructions on implementing the edict of 23 May of this year, No. 1006, so as to avoid negative consequences for the banking system and the country's economy as a whole. [End box]

[Box, p 5]

ARB Claims and Russian Tax Service Commentary

—**ARB Claims.** The requirement to close "extra" accounts will be ruinous. The requirement that banks inform the tax organs about the operations of physical persons involving sums of \$10,000 or more will undoubtedly lead to an outflow of funds from the country.

—**Sergey Pastukhov, administrative head for bank taxation of the Russian GNS.** Many of the standards set forth in the procedure on implementing presidential edict No. 1006 are a compulsory measure. They were introduced first of all because of poor tax discipline. Most foreign countries allow the opening of several bank accounts. However, they are working under conditions of a civilized market. Russia is only entering the market, and many entrepreneurs and businessmen are declining to pay taxes.... It is not entirely clear why claims are being made specifically against the GNS over the possibility of having only one bank account; this is not a GNS initiative. This requirement is contained in many of TsB normative documents, in particular in its current instruction No. 28 and the TsB telegram of 28 July 1991.

Goryachev Assails Current Investment Policy

954K0396A Moscow ARGUMENTY I FAKTY
in Russian No 46, Nov 94 p 3

[Interview with Mark Goryachev by Aleksandr Tsyganov; place and date not given: "Goryachev Proposes: 'Enrich Yourselves!'"]

[FBIS Translated Text] "God forbid that foreign capital investments should arrive," Mark Goryachev, chairman of the State Duma Subcommittee for Investment Policy, said. And explained: "There would be such a showdown!"

M. Goryachev, businessman and politician and member of the State Duma, dispelled my perplexity simply:

"The point is that capital investment is not money for a settlement account. It is the plowing of resources and technology into projects. Of which we have practically none. We do not even have a principal investment project—a plan of reforms in the state. And if our leaders get the money, for all that, very many people would simply want to appropriate it and send it back to the West. Into their personal accounts."

[Tsyganov] Attempts to remove the government are becoming a permanent token of reform Russia. Ministers are changed, parliaments are broken up and assembled, elections and referenda are held—and not one government is to the liking of society, it would seem....

[Goryachev] Who told you that our Russia is being reformed? Is there a reform program? Only one thing has changed: The communist state has been preserved

without the Communist Party. And has become a wet rag. The core—ugly, appalling, and, yes, bloody!—has been removed from it, but we have replaced it with nothing new.

[Tsyganov] What might replace the red "core" today—not the push to the South idea?

[Goryachev] The Bolshevik regime was a regime of coercion. It held the country together and ensured that decisions were fulfilled. It cannot be replaced by new coercion: It is ineffective, except, perhaps, for a very short time. Russia's present and future tasks may be tackled by what resolves state problems worldwide—the credit and financial system.

[Tsyganov] Policy, I would have thought. How can a "system" resolve anything when it is only a mechanism? Or do you want to put bankers in the place of politicians?

[Goryachev] First, I am not sure that this would be any worse. Second, do you know how I made my first serious money? I knew about finances only one thing. After all: Only big money makes big money. I had a cooperative, where craftsmen from the Hermitage restored old pianos—sometimes simply from wood found on the dump. And restored them in such a way that they themselves would subsequently feast their eyes on them: They did not believe that it was the work of their own hands. The KGB kept an eye on me, thinking that I would be transporting all this overseas. But I went to the bank, mortgaged the pianos as assets, obtained credit on the strength of them, and with this credit "turned over" computers.... Whom should I thank—the politicians or the bankers? And is not the purpose of all of society to get rich also?

We do not, after all, want to work—man is made this way. He toils in order to achieve the desired results for himself personally. What are we doing—working for Yeltsin or Sobchak and Luzhkov? No, we are investing for ourselves in order to earn more. If the conditions for this are lacking, people work poorly or do not work at all, and you will not force them to work well even with a submachine-gun at their backs.

You go to work, therefore, primarily to earn money. Because you want to live better. To buy a house or a car and to travel to the Bahamas without waiting for trade union passes. This money, which is earned by everyone, enters public circulation via the banking system. And the bank is not simply a large savings institution. It means first and foremost credit and financial turnover. That is, the credit and financial system. Briefly, it is the system that ensures the voluntary coercion by each of himself in order to achieve the best results in labor in order to have more money and more opportunities.

[Tsyganov] Not very clear. It reminds me of the old joke: "He who works well, eats well. He who eats well, sleeps well." And so everyone knows that if he puts his back into it wholeheartedly, he should, in theory, live well.

But in practice you are condemned to spend half your life waiting for an apartment, which you then have to share with grown-up children, who also spend half their lives waiting for an apartment for themselves. A car, for which your pay will never be enough. And without trade union passes there is nothing you can do even about Crimea, let alone the Bahamas....

[Goryachev] Not at all. Listen. There is no need for you to stoop your whole life for the local committee to finally assign you an apartment. Obtain credit and build a house—with three bathrooms, two kitchens, and a pool and all that you want. But you have to pay back—for the credit is secured by your assets—and if you do not repay, the house is simply taken away. So you are already endeavoring not to squander a spare ruble on drink but to pay it into your account. You are also already putting your back into it at work in order to get more. Whether you have obtained the money "legally" or "on the side"—you pay everything into to your account in order to pay off the loan.

See how many benefits for all: for you, a home, for the construction workers, a job, for the bank, profit from the credit interest, for the state, the growth of tax receipts from the growing earnings.

The credit and financial system is a set of measures where it is beneficial to all to grant you credit. And it is beneficial to you to obtain it and to work hard.

[Tsyganov] No, it is disadvantageous. Taxes alone are strangling me. Not to mention the interests of the state: As long as I am poor, I am controllable, and if I owe the bank, not the subprefect, for the fact that I can take up residence in my own home, what, then, is the subprefect and the entire power pyramid to do? To dwindle away, losing income?

[Goryachev] I agree, this is disadvantageous to the present authorities. I wanted to buy a house in Moscow. I could not! I can purchase only the right to an investment project. That is, if I ultimately build a home, it would not be mine, and any government official whose palm I did not grease could take it away from me!

Add, you are right, taxes, when, being honest, you should be giving R120 for every R100 earned, add the omnipotence of the cash settlement and, consequently, the need for security teams, the growth of crime, and so forth, and you can understand immediately why production here is at a standstill and \$1 billion a month is being pumped overseas. The budget thinking of these commies that are in power inevitably leads to all this.

[Tsyganov] The communists are in opposition....

[Goryachev] No, in power. Because they think in communist categories: stripping funds into their budget from everyone, as it were, and then distributing, not forgetting themselves.

When Lenin with his riff-raff had gorged himself to the brim and had become a rich man, he had a change of mentality. He ceased to rob and became a bigger democrat than the present democrats. The bolsheviks understood: We are the owners of all this. What are we doing? Why are we still killing people, what for? There is nothing left to plunder, we can rob when they become rich once again! Bukharin said bluntly: "Think about yourselves, people. Get rich, make money!" That was it! The NEP was a success. And in a few years everything had risen because people had begun to think about themselves.

But the present ones would never drink enough to haul off and breathe: "That is all—now go get rich."

[Tsyganov] There are, however, real democrats....

[Goryachev] Democrats can do nothing. Nothing will ever come of them. They are people who have spent their whole life talking in the kitchen and who have now broken free. They are good sorts, but they cannot be admitted to real life. They have earned nothing for themselves—from where could they earn anything for the whole state?

So, then, our problem is that the people in power today have interests that do not coincide with public interests. This is why they have no program for the reform of society.

[Tsyganov] Very well, according to your logic, they have only partially "eaten their fill." Are you sure that others would not, on coming to power, do the same? A change of banners, and off you go....

[Goryachev] I believe that only those whose personal interests are not at variance with public interests should be believed. They could then be believed—they are seeking something for themselves. But for society also. I personally need a new credit and financial system. I personally cannot live in the present one—my production has come to a halt. I personally need banking reform because I cannot wait for months for payments to be negotiated. I personally am interested in financial stabilization.... But does the state not need all of this also?

If the people vote for those who shoot at us and drive us to India to wash our feet in the ocean, that is it, we shall run for cover. And at the same time, on the other hand, this whole gang, which wants to dangle its feet in the ocean, knows that if the Goryachevs come to power, they will not touch people from this gang. I could not shoot Zhirinovskiy, even had I a great desire to do so. Because for us everything truly begins with human rights. If there is no security for human rights, there is no security for capital. If this is lacking, there are no investments. And we need these to implement reforms. And if I start shooting, I will have no financial stabilization. And I have an interest in this with my own money.

In actual fact, both the authorities and the opposition are two sides of the same coin. Others, the hungry ones, want to push the government officials at the feeding trough

out of the way. And also without programs, concepts, reform ideas—what fool would destroy his own feeding trough! None of them needs the creation of a class of wealthy persons, they have no need of rich persons generally—these are hard to control. But I need them. Only together with them can what is most important be achieved—logical and stable laws encouraging a growth of well-being. The rest will come.

[Tsyganov] Should this be taken as being a bid for power?

[Goryachev] As my personal bid, yes. And of those who want to do business in Russia.

Major Georgian Criminal Groups in Moscow Profiled

954F0301A Moscow IZVESTIYA in Russian
9 Nov 94 p 4

[Article by Vadim Belyikh, IZVESTIYA correspondent: "The Georgian Trail of the Russian Mafia"]

[FBIS Translated Text] The Russian Federation MVD [Ministry of Internal Affairs] has started the ball rolling, and it is usually believed that there are something like 1,500 major criminal societies, fitting the generally accepted definition of the mafia, operating on Russian territory. They unite dozens of smaller criminal groups, have a well-formed hierarchy, links set up with the near and far abroad, have their own people in the state machinery and organs of law and order, and control certain sectors of shadow and completely legal business. The names of these criminal structures as a rule reflect their initial ethnic or territorial basis: "Dagestani," "Kazakhi," (they are "Tatars"), "Sverdlovski," "Azeri," "Solntsevski," the "Chechen Community".... We have decided to talk about the most serious of these professional crime organizations, and we will begin with the group of immigrants from Georgia....

The "thieves within the law" [crime bosses] and the criminal "authority figures" from Georgia began their serious "work" on Russian territory somewhere around the beginning of the 1970's. Two circumstances, having little connection with each other, aided this.

The authorities of the Georgian SSR petitioned the Union MVD to have their convicted criminal bosses serve their sentence a bit farther from their native republic. This made it possible for the southerners, who had acquired every possible specific connection during their imprisonment, to become firmly established on a territory that was new for them. Also having an effect was the advancement to the Russian shadow market of the products of shadow Transcaucasian figures, who were always meticulous about paying the interest on the profit to their fellow countrymen—"thieves within the law." The monitoring of the activity of their illegal "operators" brought Georgian "godfathers" into Moscow, Leningrad, and other large cities.

The Georgian groups, having firmly established themselves on Russian soil, brought with them a few things that were new to the local, quite patriarchal criminal way of life. Long before perestroyka, their members had successfully taken up the racketeering of sectionalists and speculators, and the kidnapping of well-to-do people with the aim of getting ransom from the relatives. Under the influence of the newcomers, the idea of the thieves' "obshchak"—the underground cash-boxes of the criminal world—also changed. Much larger amounts were now concentrated in them, and as soon as a relatively legal business appeared, the Southerners and those with whom they had dealings began to "wring out" the "obshchaks" and "invest in business...."

There are four basic groups (clans) from Georgia in operation on Russian territory today. They are all organized in approximately the same way. There is one leader, or several, in the center, and around them are the "thieves within the law" and the criminal authority figures. Almost every one of them has his own "team," made up of "bulls"—the executors, who are ready for anything. Next come various "principals," hired for one-time actions, businessmen connected with the criminal milieu....

The strongest of the Georgian groups in Russia is the "Kutaisi" group, which includes about 50 "thieves" and "authority figures" and about 500 active "fighters." Taniel Oniani, a "thief within the law," is considered to be the main leader of the clan. Not being satisfied with the CIS spaces, he is successfully setting up ties with the far abroad. According to information from New York, Oniani has repeatedly gone to the United States, where he has met with Russian colleagues who are operating there.

After several Georgian "authority figures" died from the bullets of hired killers, Oniani, apparently fearing for his life, moved to Austria in the autumn of 1993, where rumor has it he owns quite a sizable amount of property. He now directs his people from a comfortable distance.

Other "Kutaisi" leaders are: Garikhiya, nicknamed "Chizh," Bukhnikashvili—"Petso," Kordava—"Vakho," Iobidze—"Mango," Khatidze, Gabunia.... A certain Stuma "supervises" the places where a group has been imprisoned. Kurds who engage in criminal activity, headed by their own "thief within the law," Zakhar'y Salashev ("Shakro"), are attached to the clan, true, remaining quite independent.

Next in importance is the "Tbilisi" group, which unites about 200 people. One of the main leaders is a second-category disabled person, Paeta Chlaidze, nicknamed "Big Paeta." In addition to him, prominent roles in the association are played by Usoyan—"Khasan," Kuprashvili (his group of fighters numbers 50), Gularda—"Gula"....

The associations of immigrants from Western Georgia and Abkhazia, which are joined under the general name Samegrelo, have considerably less influence. They consist of the "Mingrelskaya" group of approximately 200 people (leaders: Kokhiya—"Kakho," Bumiya and

Kakhachiya) and the "Sukhumi" group, of 300 (leaders: Tabagua—"Mukha," Kvaratskheliya—"Kimo," Apakela—"Sukhumi Borya," Yuriy Lakoba—"Khadzharet," a.k.a.—"Vadzhakhed"....). The criminal "Svanskaya" group, carefully kept secret, made up of natives of Lentekhskiy and Lechkhumskiy Rayons, and engaged mainly in kidnapping hostages for ransom, gravitates toward the "Mingrelskaya" group.

In the last few years, the "Georgian" groups, without giving up their "traditional business"—kidnapping, extortion, theft, robbery with violence, apartment theft, fraud—have all been taking part in every possible financial sphere, setting up commercial companies, joint-stock companies, banks.... Their influence is noticeable in transactions connected with the export of petroleum, timber, and non-ferrous metals. Through fellow countrymen immigrants engaged in criminal activity, the leaders of the Georgian clans have already set up close ties with criminal associations from Western Europe and America. The "thieves" from the Transcaucasus republics have the strongest positions today in Germany, Austria, Belgium, Israel, the United States, and Holland.

The problems of the far and near abroad, however, do not keep the bosses of the "lavrushniki" from taking an active part in criminal business in virtually all corners of Russia. Their representatives are present in most of the oblast cities, where, while trying to avoid falling out with the local "teams," they carry out their artless "affairs."

The names of the criminal "supervisors" are well known. The "thief within the law" Pachuvshvili handles Yaroslavl. Gogolashvili, nicknamed "Tsiko," a.k.a. "Tsurik"—Tver; Gordelidze, a drug addict, who independently conferred on himself the title of "legal," is responsible for Ioshkar-Ola; and Sikharulidze, nicknamed "Kakhi," and Goglichidze ("Mishel")—for Novgorod. Astrakhan is under the jurisdiction of Mikeladze, better known as "Dato," who directs the region entrusted to him directly from Moscow.

In addition to the traditional "Georgian" groups, several independent criminal organizations, headed by criminal authority figures and former state officials of the Gruzian government, have recently appeared in Russia. Indeed, strictly speaking, one of the "fathers" of the former Georgian Republic, Dzhaba Ioseliani, who set up the militant Mkhedrioni organization, according to the special records of the Russian MVD, inherited from a Union department, is passing as a "thief within the law," with a full set of data, a "service" record and full-face and profile photographs.

One of the most dangerous groups "operating" in Moscow and Moscow Oblast under the guidance of a "thief within the law" nicknamed "Onik," is linked with Mkhedrioni. Its almost 100 members include quite a few former staff members of the Georgian MVD and KGB. It is armed with several dozen Kalashnikov assault rifles and TT pistols. The group is broken up into independent units. One, which is located in the Taganki area, engages

exclusively in the theft and resale of Zhiguli vehicles. There is a team directed by a certain "Mapkhaza," which specializes in murders to order. Drugs are passed through him....

The last few months have brought quite a lot of trouble to the Georgian groups, who have entered into a long drawn-out conflict with the local "Slavic" criminal associations. Several of the leaders almost fell under bullets. Among the recent sensational incidents is the extermination of the "thief within the law" Avtandil Chikh-ladze, nicknamed "Kvezho," the execution of three more Georgian "thieves" on 28 August in Sochi, the attempt on the family of Kalashev ("Shakro"), the murder of the "authority figure" Gamtsemlidze with seven pistol shots on 15 October in Moscow....

The police are so far struggling efficiently enough with the rank-and-file executors, the "bulls" of the Caucasian clans, sending them to places not far away on a charge of theft, armed robbery, murder, larceny, and fraud. The situation is much more difficult with the leaders. The fact that they do not formally participate in any of the crimes has its effect. Even those caught red-handed, though, easily avoid serious liability. Of the seven "thieves within the law" and the 14 "authority figures" arrested last year, only one-third reached court. Moreover, for puzzling reasons

For example, Shavdiya, a "thief within the law," was arrested with TT pistol No. 543120 in Moscow, but the investigator of the OVD [Department of Internal Affairs] Sokolnaya Gora, passed a resolution on denying criminal proceedings.

True, even the accused who did reach the dock received sentences that were completely humane and merciful. When they arrested one of the leaders of the Sukhumi group Yuriy Lakob, nicknamed "Khadzharet," who had been tried repeatedly, including for murder, they took from him a "Kalashnikov," three AK-74 assault rifles, two pistols, over 3,000 cartridges, two grenades, and in addition, 7,200 counterfeit U.S. dollars. The Tagan People's Court of Moscow sentenced "Khadzharet" to a year in prison. They paid no attention to the personality of the accused or his "services."

Shakro Kakachiva, nickname "Old Shakro," with seven convictions, one of the leaders of the Mingrelskaya group, was arrested for drug possession. The Frunze People's Court sentenced him to eight months in prison.

Revaz Lortkipanidze, nickname "Tbilisi Rezo," was arrested for drug possession. The Moskvoretskiy People's Court gave him six months in prison.

Not one of the leaders of the Georgian groups has as yet been brought to trial according to the most severe article of the criminal code pertaining to gangsterism in these cases.

This is not surprising, though. We do not yet have any balanced, clear-cut system for combating the domestic "godfathers" in our country, despite all the talk about it. To all appearances, both the police and the FSK [Federal Counterintelligence Service] possess a huge mass of online information on these people. They know the names, addresses, connections, and specific "actions," but all those rank-and-file "fighters," often "handed over" to the organs of law and order by their own bosses, are going to "drag out the time" to its full extent.

Moreover, the reliable, well-tuned system, adapting beautifully to the specific circumstances, a system which efficiently breaks down criminal cases against the "authority figures" during an investigation and completely buries them in a court where today, in contrast to those in the United States, France, and Italy, there is little interest in the specific personality of a criminal, are resisting the MVD, the public procurator and the courts. Indeed, can it be otherwise, when so far quite a different criminal code is in vogue—one that long ago lived out its era? When, just as many years ago, no one is in a position to protect witnesses against threats, blackmail, bribery.... A judge, preparing to pass sentence, finds himself faced with temptation or agrees to a huge bribe or fears for his own life and the lives of his family members. Justice gives way, and the "godfathers" themselves control their court, without hiding it from anyone.

Key to Map of the Moscow Locations of Georgian Criminal Groups

"Headquarters" Centers:

1. Viryulevskaya, 192. Arbat, 513. Matveyevskaya, 104. 9th Parkovaya, 575. Pochtovaya, 1.

Sites for Recreation and Meetings:

1. Hotel Rossiya, Varvarka, 62. Hotel Moskva, Okhotnyy Ryad, 23. Hotel Akademicheskaya, Leninskiy Prospekt, 16. Mzmuri Georgian Center, Arbat, 427. Guriya Restaurant, Komsomolskiy Prospekt, 78. Koyakhida Restaurant, Sadovoye Koltso, opposite the Obraztsov Puppet Theater 9. Lokomotiv Cafe, Zemlyanoy Zal., 2910. Iveriya Restaurant, MKAD, 45th km.

Sites of Concentration

1. Shabolovskaya Subway Square 2. Kursk Terminal Square 3. Commercial offices, Prishvina, 34. Commercial offices, Pleshcheyeva, 45. Commercial offices, Leskova, 14-166. Warsaw Highway, at MKAD intersection

NOTE: The editors, in publishing the "map," in no case wished to encroach on the honor and dignity of the owners and staff members of the restaurants, cafes, and hotels designated on it. They are in no way responsible for the people who visit them.

Crime, Terrorism, Economy Links Viewed

954F0309C Moscow LITERATURNAYA ROSSIYA
in Russian No 42, 21 Oct 94 pp 5-6

[Article by Aleksey Voyevodin: "Who Is the Master of the House?: Crime, Terrorism and the Economy in Russia"]

[FBIS Translated Text] In the last five years, economic factors have appeared in Russia that have played a role similar to that of the introduction of the "dry law" in the United States in the 1930's. A very powerful shadow economy has formed, and an uncoordinated system has sprung up for selling essential goods, foodstuffs, gasoline, and other material valuables and services.

Most of the industrial enterprises have become overgrown with a network of cooperatives, small enterprises, and other intermediary organizations, with the aid of which the bosses of the enterprises have solved their own financial problems, by selling enterprise products through them or buying raw material, equipment, and commodities for the collective at excessive prices. The enterprises of the nontrade sphere are also being swiftly overgrown with a network of middleman offices.

Still greater changes have taken place in the financial sphere. The Gosbank system, since its reorganization, has become a system of joint-stock banks, and it is much more convenient for the top echelons of the bank to determine their own interests than it is for the top echelons of an enterprise. Tremendous conditions for abuse have appeared. It is quite natural today for a considerable number of loans to be issued for bribes. Moreover, from the standpoint of the criminal legislation, these bribes are not exactly bribes.

The state machinery has also had its say, both in the center and in the provinces. A tremendous amount of financial and material resources and real estate has ended up in the hands of officials. Just a trifle has remained—setting up the mechanisms making it possible for them to get away with realizing their exclusive position, in order to obtain illegal cash. This was very quickly done. A stratum of temporary workers appeared, whose main task was to fill their own pockets. The temporary workers have suddenly realized that they are not temporary workers, but people who have come to stay for a long time, if not forever.

But where can the money for all of them be obtained? There is one source—the national economy. It is being ruined, however, because everyone is trying to take, and no one is investing anything in it.

A situation has thus arisen where everyone wants to earn money and everyone knows that this cannot be done legally. The state knows this too, and, while essentially changing nothing, it is increasing the controlling apparatus with all its might—customs, the tax inspectorate, and the militia. The situation on the whole is not changing, though—it is impossible to eliminate an entire

sector in the economy. Industrial enterprises which, by virtue of the specific nature of their production, are unable to have an illegal income, in addition to exorbitant taxes, from time to time pay fines, and slowly but steadily self-destruct; commercial structures make one-time transactions and conceal their incomes—the country sinks deeper and deeper into economic ruin.

There is another aspect to this problem, however. If he cannot earn legally, this means that any person engaged in business stands outside the law, and he can be cheated, cast aside, or robbed, and the state will not stand up for him, for after all, he is essentially a criminal. There can be no business without stability and minimum guarantees, however, particularly a shadow business.

Just who has appeared as a guarantor for the illegal economy?

Russia's criminal world. It has become the only force that can give stability, that is capable of stamping out debts, of guaranteeing the banks repayment of loans and of considering property disputes efficiently and fairly. The criminal world has essentially taken on the state functions of legislative and judicial authority. What is lacking in this bouquet? Executive power. This problem is already being solved.

In the last year or two, serious criminal groups have not "cornered" anyone, that is, they do not forcibly thrust their protection on anyone; they have more than enough requests of this kind. For many businessmen in Russia, it is not the choice of a bank or a partner that is more important, but the correct choice of a "roof."

There are no state laws that are really in force. The state pretends not to notice that a considerable proportion of its economic turnover is illegal, and the criminal world has begun to establish its own laws. The methods that it uses are classic—methods of violence and terror. The thieves' laws have been nothing new for Russia, whose citizens lived under the conditions of a totalitarian regime for many years, but organized violence and terror on the part of nonstate organizations became one of the new trends of perestroika.

Until recently, the interests of crime on the level of an individual Russian city ensured the monopoly right of the authority figures of the local criminal world to bring terrorist methods to bear on all the rest of the citizens in the city. Originally, these interests were modest—to get things from commercial shops, stalls, cooperatives, and car parks.

Fully adequate for this were systems in which:

no terrorism was permitted with respect to members of the groups under the jurisdiction of the authority figures of the criminal world. In case of conflicts, the disputes were examined by the authority figures in investigations. Violation of this rule was severely punished by the entire criminal association;

terrorism was used against all those who tried to enter the criminal market of a given city independently, from outside, particularly against Caucasian and Asian groups;

terrorism was used jointly by all groups with respect to all the "sheep"—businessmen, speculators, and others who did not have a "roof," that is, the protection of one of the structures directed by the authority figures.

Russia's provincial cities went through a period of touching unanimity of the criminal groups.

The farther the economic reforms went, the larger the strata of the Russian economy that found themselves drawn into the sphere of interests of the criminal groups. First it was the commercial kiosks, but today organized crime controls raw material flows, bank loans, export-import operations, transactions in nonferrous metals, real estate, and many others.

Criminal business became extensive and required structural reorganization. In 1993, the equilibrium in the criminal world was destroyed, and this system is now going through a period of reorganization. The stakes in the game have been raised, and the rules have become tougher. Now there is no one, neither rank-and-file criminals nor their leaders, who is ensured against violence, and most often—physical annihilation.

The classic conflict—"Fathers and sons"—is being played out in Russia. The "Fathers"—organized crime—are the old structure, which has a 70-year history, and is well organized for work under the conditions of socialism, but is somewhat conservative. The "children"—the new generation—arrived along with perestroika. The "children" did not have the traditions or the structures, but were more severe, boundless, and dynamic. Party traditions and a centralized hierarchical system were the basis of the "fathers," and the economic basis of the organization was the "obshchak"—a system of "party dues," which the primary organizations collected and are collecting in centralized fashion throughout the country. The new generation has arisen on the economic wave of the beginning of the 1990's, and the basis of its power was the initial capital obtained from racketeering, and then transferred to the sphere of the legal and illegal economy. The all-Russian organization stands up for the old generation, and economic might stands up for the new one. The two generations are mutually entwined, and today's conflicts are essentially not the struggles of two world views, they are the struggles of specific leaders for sphere of influence.

Throughout the world, organized crime is above all criminal business. It is business, and not gangsterism, theft, and violence.

The mafia exists in all developed countries, but nowhere has it come so close to key positions in the economy and aspired to such a role as it has in Russia.

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Organized crime in Russia no longer offers protection to the directors of companies; it often appoints and controls these directors.

All Russia has ended up under the same criminal roof, and the answer to the question—who is the master of the house?—is becoming clear.

The master of the house will be the one who seizes the key positions in the criminal organization. The stronger and cleverer, and the main thing—the crueler and more boundless person will do this.

It is obvious that for any system, including a criminal system, to function normally, there must be order, ensuring the fulfillment of certain rules and adherence to certain laws. Russian organized crime makes very efficient use of a method such as terror to establish its own laws and carry out its own interests. As long as it succeeds in this on an extensive scale, Russia's economy and the machinery of state will be increasingly dependent on the criminal association.

It is mass terror that has become the basis of the flourishing of crime in Russia.

The term "terrorism" usually means target-oriented activity, directed toward intimidation and a show of force with respect to certain strata or groups of the population, officials, and state and political figures; the physical annihilation of the leaders of competing structures, political parties, or simply private persons who ignore the threats.

Terrorism differs from related crimes—gangsterism, violent robbery—in that:

- In terrorism, violence and psychological pressure are not only a means, but also an independent goal;

- Terrorism is not a property crime—no direct material good is expected from the potential victims; it is adherence to certain rules or the performance of actions that is required. For example, terrorist pressure may be used in the treatment of state and political figures or other persons invested with power, in order to obtain concessions from them in the sphere of politics or major economic interests; solving problems related to the presence of authoritative powers among these people, for example, freeing imprisoned people, obtaining loans, exclusive rights to a lease or a product.

Terrorism, as a system, is traditionally used to:

- solve problems of leadership in the criminal world and the shadow economy, or of the opportunity for a monopoly in legal and illegal business activity;

- establish, in the broad masses, criminal laws and customs, for example, the law of "immobilization";

- put pressure on the state machinery to create a system to guarantee the security of criminal economic and noneconomic activity;

solve political problems in periods of social instability and weakness of the state machinery.

Distinguishing features of terrorism are:

- creation of an atmosphere in which the "cornered ones"—the leaders, public figures, and strata of the population are morally broken down, give up resisting, and are schooled in the idea of inevitable punishment for failing to yield on appropriate questions;

- an extremely high level of advertised brutality in treatment of their victims;

- the existence, among the active members of the corresponding terrorist groups, of a certain level of fanaticism and their own morals and system of values.

As a rule, at the lower and middle level, terrorist actions may be manifest in the form of threats and physical violence. At the upper level, terrorism is carried out through physical annihilation. In this case, it is virtually impossible to trace the chain of executors, but everyone knows who ordered it.

The one who gives the order is not a person; it is as a rule a group included in a broader group, which guarantees the impunity of the one giving the order and confirms its right to terrorism or violence.

The organizer of the violence or murder is extremely interested in having the successor to the business of the murdered person know where the order came from, since the murder is ultimately directed toward the achievement of a definite ultimate goal. If the potential new victim does not know why his predecessor was murdered, this victim will have to be "rounded up" as well.

The world has accumulated quite a lot of experience in combating terrorism.

The situation in Russia today, however, has its own specific nature.

It goes without saying that a powerful state and law-and-order machine is needed to combat crime.

In addition, however, certain rules must be established for the game with the criminal world in general and terrorists in particular. This too is lost in Russia.

One of the basic rules is that the law-and-order machine, or rather, its workers, should be 100-percent protected against encroachment from the criminal world.

Unless this condition is fulfilled, the main factor—the state implement for combating crime—is lost, and the struggle against crime will turn into a farce.

There are two ways to fulfill this condition:

- The state passes the appropriate laws;

- The practice and traditions of the authorities and special services should be that any attempt on the life or threat of violence to a staff member or members of his family should result in the most severe punishment.

Most of the special services in the world hold rigidly to these rules.

The criminal groups hold to the same rules.

If a group takes the liberty of failing to respond to aggression toward its member, it very quickly loses its standing in the criminal world.

It is quite obvious that organs of law and order that cannot protect their staff members cannot fulfill their functions.

In the United States, in the most outrageous times, organized crime did not dare raise a hand against policemen, judges, or officials of the district attorney's office.

This also occurred at the height of the gang wars, and during operations for the mafia's mass extermination of witnesses and former defendants.

In the United States, the organs of law and order, or rather—their living people, from the rank-and-file policeman to the attorney general, have asserted their right to the role of a judge standing over a fight. No one in that country dares to throw down an open challenge to a member of the police force or special services, since they are backed by an exclusive social group, and a conflict in this sphere is as a rule suicide for a criminal.

In Russia, a natural stage has arrived in which some of the duller staff members of the organs of law and order have begun to hinder the further rapid growth of crime. Moreover, it is often the workers, and not the organs themselves. Siberia is probably one of the last islands where a link between crime and the organs of internal affairs has not become a mass phenomenon. In the Asian and Caucasian republics of the former USSR, and in many cities in European Russia, the upper echelons have never lost their ties with the criminal world. It is not disloyal to state that they have been bought.

We are not the United States, where the mafia has paid a salary to policemen.

Our agencies are learning to earn independently.

Organized crime and organized agencies often seem to be essentially "going shares."

Part of the business covers the crime which, accordingly, obtains honestly earned money for a "roof," and the directors of the agencies personally conceal the other part of the business and, accordingly, also obtain honestly earned money for guarantees and for labor.

The higher the tension, the higher the job-stocking demand for services.

The trough is a common one, and there are enough places for everyone. It is simply stupid to touch major swindlers or their colleagues; after all, they are working. They are working both for themselves and for the common trough. There are always enough small fry of all

sorts, simple-minded people, who remove their hats when they are raping women and murdering their drinking companions, to be the targets of the crime clear-up rate.

The swindlers have one problem: Will the agencies suddenly get the urge to put almost everyone away? This is extremely dangerous. The resolution on reorganizing the KGB, passed in Russia in 1993, greatly alarmed this milieu, because of the possible mayhem of the people in gray overcoats.

While today the staff members of the FSK (KGB) are beginning to render the service of protecting commercial structures and to get money for this, the natural result will ensue, and the FSK will obtain access to the general trough—and along with crime, will become part of the same system.

The already-traditional terrorist methods of operation have begun to be transferred to individual dullards or the overly-active workers in the organs of the Russian mafia.

The first cases of attacks on staff members shocked public opinion.

But nothing happened.

A law began to come into force—"Impunity engenders permissiveness." Criminals in Russia know that they can shoot everyone today.

If this process continues, in a little while it will be like a landslide. When everyone gets used to the idea that the best way of avoiding punishment is to wipe out the detective who is on your trail, no good detectives will be left.

It is quite obvious that this is the most effective way of putting a stop to criminal cases in Russia today. It is not being carried out only because of a certain conservatism and inertia in the thinking of the criminals; in addition, it is somewhat inconvenient for the upper strata of organized crime.

The basic factor in organizing the struggle against organized crime should be the re-establishment of the situation in which the agencies stand above the criminal world and are not, as a matter of fact, an object for terrorism.

The factors which characterize crime in Russia—the availability of weapons, the organizations, legal investments in the economy, etc.—should not be regarded as anything outstanding—they exist throughout the world.

Nowhere in the world, however, are the special services so "kept down" as they are in Russia.

The organs of law and order are the state's implement: Those who perform terrorist acts are also someone's instrument.

The presence of criminal groups and terrorist activity are not one and the same thing. There must always be a master, and specific people.

If the agencies or special services know them and can influence them, by making them observe their rules, then they will not have to wage endless wars; it will be enough to keep these leaders "in public view."

If the leaders know that their personal well-being depends on the agencies, they will never resort to open conflict and will keep their structures away from it.

This is the weakest spot in organized crime.

The question is essentially this: Which of the leaders, the leaders of the criminal world or the leaders of the agencies, dictate the rules?

But the criminals know what they want and whose interests they are protecting. The agencies think more about today, often with no conception of what they are fighting against.

It is quite obvious that Russia needs a doctrine of struggle against crime. Evidently, you do not have to combat crime, you just have to keep it in check.

No one today will be able to stop the war between the groups for spheres of influence and monopoly in an illegal business, nor will they be able to break either the system of "roofs," or the system of personnel supply.

You cannot fight abstract entities.

Not permitting crime in certain spheres and making it observe certain rules is a reality.

Part of Russia's law-and-order staff has already entered her crime system. Today you do not have to bribe the staff members—you have to give their chiefs a share in the "trough."

In the United States, wise and humane politicians, guided by the best of motives, prohibited the sale of alcoholic beverages. At the same time, the police and district attorneys did excellent work in the United States; there were strict laws, and the tax services were among the strongest in the world. Nevertheless, when the state released trade in alcoholic beverages so that it was out of its control, a powerful shadow sector instantly formed. The Americans soon came to their senses. But while trade in alcoholic beverages was being prohibited, American crime, made up of small scattered gangs, turned into a criminal industry.

In Russia, there are no effective laws and no efficiently operating law-and-order system, the tax services have neither traditions nor experience, Russian officials are not afraid of stealing, and no parties bear any responsibility for Russian politicians. The state has farmed out to crime the entire private sector. A trifle. But with the implementation of privatization, virtually the entire economy of the country is becoming private.

What will happen next? Crime, of course, does not have enough strength or time for the entire economy.

In the course of two to five years, the main efforts of organized crime will be directed toward:

- securing individual spheres of the economy—petroleum products, nonferrous metals, banks, financial operations, and real estate;

- penetrating the systems of the executive and legislative powers, gaining access to state orders, state loans, licenses, and natural resources;

- developing industrial technology in traditional spheres—prostitution, games of chance, the drug business.

Prostitution and games of chance have already arisen on an industrial basis, but there is one problem—the poor state of the people's solvency. The drug business has also gone up in the world, and all the prerequisites for its development are there: social instability, inexhaustible resources in the Asian republics, an initial network for sale within the country, and experience earned through drug transit to Europe.

The drug business is probably also the tip of the iceberg on which the wrath of politicians and the efforts of the agencies will be poured out. As soon as the number of drug addicts gets large enough and drug production becomes industrial, the reproduction of drug addicts will become one of the aspects of the marketing policy of the drug business, and it will be impossible to combat it. The whole world knows that intensification of the punitive policy against the drug business originally leads to a certain cut in the sales network. But the drug addicts must have their jab! A rush demand will spring up, prices will soar, the drug business will obtain super-profits—and they will be directed toward expanding the market and production.

What will the state do then?

If its policy remains unchanged, we will see familiar themes: court intrigues, loud disclosures, domestic scandals in high society, protection of Third World countries against the superpowers, alternating with emotion stemming from a certain internal progress in foreign policy. The democrats will accuse the communists, sincerely believing that it is they, the democrats, who are the guarantee of a new economic policy in Russia; the communists, seeing that the country is being robbed, will accuse the democrats, sincerely believing that it is they, the communists, who stand for the right cause.

Everyone will steal, some less, and some more, depending on their position, since that is the way the state is run.

It goes without saying that the absolute majority of the staff members of the organs of law and order are not criminals. A large number of them are sincerely prepared to do their duty. The situation is such, however, that they have to battle the System to do this.

Criminal investigation can be handled only on one condition, when the criminal is always the victim and the staff member is always the hunter. These roles change every hour today.

Russia's organs of law and order have always prepared their staff members to hunt criminals, not do battle with them.

They can no longer hunt with impunity, they are not ready for a partisan war, and they are losing it, and they are not permitted to unleash wide-scale combat actions.

As a result, every honest staff member finds himself face to face with a criminal, but behind the criminal there stands a living, dynamic organization, and behind the staff member there stands a phantom. The struggle against crime turns into a system of personal duels, and in this case, valuable workers on the side of the agencies take part in them and die, and it is often groups of six on the side of the criminals that are placed in a dangerous situation.

It is impossible to win a fight on the level of frontal attacks against everyone at once according to today's rules in Russia.

If we compare the personal psychological characteristics on which resistance to outside pressure, the potential for atrocity and the readiness to resort to any actions depend, the leaders of Russia's criminal world today will be ahead of the staff members.

They will also be ahead with respect to the number of people in the structures and the availability of equipment, weapons, and finances.

A competition with the criminal leaders, by the rules alone, cannot be won, and it is suicide.

On the whole, probably, the key factor in this problem is the question of against what, not against whom, we must fight.

It is obvious that it is the state that has created the economic soil on which organized crime is flourishing, and it is impossible to fight crime unless the economic bases are eliminated. It is the state that has permitted a situation in which the official staff, uncontrolled and unpunished, is robbing its country. Unless state policy takes a decisive turn toward normal economic conditions, unless the struggle, particularly with its own corrupted staff, is decisively organized, any changes for the better are impossible.

If we touch on an aspect of the problem such as the interrelations between the criminal world, the organs of law and order, and the special services, its solution depends at the least on adherence to certain conditions, particularly:

The primogeniture of the organs must be re-established, that is, the situation in which attempts to combat them or simply threats directed against them are suicidal for the aggressor must be re-established. This is possible only with:

the working out of a unified policy and its approval by the higher administration;

implementation of a unified, uncompromising practice with respect to the criminal world and the corrupt state machinery that has coalesced with it on the entire territory of the country;

a struggle for purity of morals among the staff members;

sufficiently severe and uncompromising actions toward those who venture to struggle with the agencies openly or with arms.

First of all, though, we must eliminate the economic preconditions for Russia's economy and state structures to slip into a criminal association.

(From materials, turned over to the editors, of the Analytical Center of the All-Russian sociopolitical movement *Sozdaniye*).

ZAVTRA on Kholodov Murder

954F0309B Tver ZAVTRA in Russian No 41, Oct 94 p 1

[Unattributed DEN Security Service article: "Who Murdered Dmitriy Kholodov?"]

[FBIS Translated Text] The editors of ZAVTRA mourn the murder of journalist Dmitriy Kholodov, fallen in the cause of freedom of speech in the struggle against criminal bankers, generals, and officials.

Almost immediately after the explosion that tragically cut short the life of MOSKOVSKIY KOMSOMOLETS journalist Dmitriy Kholodov, an unknown person telephoned the DEN security service, calling himself an "informer" on Dmitriy Kholodov, and reported on what was found in the journalist's file. He claimed that, at the time of the murder, Dmitriy had turned up material on the abuses of Army General P. Grachev, Russian Federation minister of defense. Specifically: acts of selling, with his approval, military equipment and property of the Western Group of Forces; acts of malicious abuse of his official position, namely: organizing, through the Russian Federation MO [Ministry of Defense], the wedding of a nephew in Ryazan, organizing his own silver wedding in August of this year at the Sanatorium imeni Fabritsmus, where an Russian Federation Ministry of Defense airplane had delivered more than 250 guests, for whom several floors of the main wing had been quickly "cleared" of holiday-makers; acts of "personal" contacts between P. Grachev and the Georgian and Armenian ministers of defense and the latter's presentation to Grachev of expensive gifts in return for the protectionism of Georgia and Armenia.

Dmitriy Kholodov had at his disposal copies of a Security Council shorthand report which reported to Yeltsin the details of the scandal connected with the sale by the Western Group of Forces of armored equipment and arms, as a result of which the tanks and BMP [infantry fighting vehicles] of the Western Group of Forces ended up in the arsenals of Croatia and Turkey.

Dmitriy Kholodov had at his disposal facts concerning the corruption of the higher army command, which included details of the privatization of Colonel General Tretyak's former summer home by Colonel General Matvey Burlakov; Burlakov's obtaining, by circumventing all the norms and regulations, an apartment for himself and his son and daughter, and Swiss bank accounts; details on the joint actions of Colonel General Boris Gromov and the commercial structures of Iosif Kobzon to sell Armenian, Georgian, and Chechen equipment and arms; on the role of Colonel General Georgiy Kondratyev in directing the firing at the "White House," and on his constructing a dacha at the state's expense, recruiting the labor of soldiers of the Kantemirovskiy Division; his receipt of "gifts" from the Georgian Ministry of Defense for "peacemaking" in Abkhazia.

The informer reported that data had been passed to Dmitriy on Colonel General Konstantin Kobets' direction of clearing away unidentified bodies from the "White House" on 4 October 1993, on his financial machinations in the Far East Military District, speculations in motor vehicles and protectionism in transferring "pleasing" officers, and his illegal conferring of a special military rank on his son on 22 August 1991, after which the latter, on the very next day, was transferred to the reserve and went off to study in England. Today he heads one of the commercial structures.

There were also data on the actions of a close friend of Kobets, Colonel General Yu. Rodionov, in organizing the sale of ZGV [Western Group of Forces] equipment and arms, through another of Kobets' "friends," Colonel General Samoylov, head of the Rosvooruzheniya company; on their joint acts, during their service in the Russian Federation Supreme Soviet Main Personnel Administration, of protectionism, illegal conferring of ranks, appointments to posts, and dismissal of displeasing officers; on similar abuses of Colonel General Vysotskiy, present chief of the GUK [Main Personnel Administration], and Colonel General Valentin Yakovlev, his first deputy. On the fact that the Central Finance Administration, headed by Colonel General Vasilii Vorobyev, received tens of millions of dollars' profit on illegal financial operations with the money of the Russian Federation MO and on the sale of the military equipment and arms of the former USSR and groups of forces. On the role of Lieutenant General Aleksandr Zuyev, chief of the VDV [Airborne Troops] Rear Services, in providing P. Grachev with trips to the ZGV and his removal of tremendous material valuables, "obtained" by P. Grachev at the ZGV. There are many, many other things that, as the informer reported, Kholodov had accumulated in his file in the last few months. The act of terrorism cut short this investigation.

But this is what was pointed out to us by one of the FSK [Federal Counterintelligence Service] experts, who happened to get the first materials on the explosion at the editorial offices of MOSKOVSKIY KOMSOMOLETS. The very way the diversion was organized and its "gross-

ness" attest to the fact that it was carried out by people who were far removed from the special FSK structures, and the parts of the explosive device and its construction were virtually analogous to the "surprise mines," being studied and present in the armament of Army "special purpose" units or the GRU [Main Intelligence Administration]. According to our data, however, the "special" part of the VDV special purpose regiment and Chukovskiy's brigade had nothing to do with this dirty work.

The editors of ZAVTRA emphasize the fact that investigating the facts of corruption in Russia's higher Army echelons is our special topic, with which we have been dealing tirelessly for over three years. We are among the first to make sensational exposures here. The death of a journalist underlines the importance and accuracy of the data, unrefuted by anyone, which DEN and ZAVTRA have published and which Kholodov undoubtedly utilized.

So we know approximately what was in Dmitriy's file. We cannot confirm or deny all these facts, we are restricting ourselves only to setting them forth from the words of the "informer." Today's regime has a chance of ascertaining, with the aid of the announced investigation, just who committed the murder of the journalist and why....

MVD Official on Murders of Officials

954F0309A Moscow TRUD in Russian
10 Nov 94 pp 1-2

[Interview with Colonel General Yevgeniy Abramov of the Internal Service, first deputy minister of Russian Internal Affairs, by Olga Parfenova, TRUD correspondent; place and date not given: "Where Are the Militia Looking?: The Holiday of the Guards of Order Under Conditions of Criminal Terror"]

[FBIS Translated Text] Colonel General Yevgeniy Abramov of the Internal Service, first deputy minister of Russian Internal Affairs, answers the questions of a TRUD correspondent.

[Parfenova] Yevgeniy Aleksandrovich, on a day like this it is seemingly inappropriate to speak about anything bad, but what can we do—the country is really swamped "up to its neck" in crime. Every stratum of the population—from the rank-and-file worker to the "hard-boiled" businessman—is perhaps unanimous in the opinion: It has become terrifying to live in our "democratic" home. Any moment, a person runs the risk of becoming the victim of violence or bloody dismemberment. Professor Valentin Martemyanov, a deputy of the State Duma, was killed on the very eve of Militia Day.... The newspapers write about explosions and bold-faced robberies almost every day. But the murders of deputy Ayzderdzis, of Perevoshchikov, Udmurtia deputy minister of Internal Affairs, and his family, and of the journalist Kholodov have simply staggered us. Can you, today, name at least one sensational murder that you have already solved?

[Abramov] Well, let us begin with the murders that have had wide-scale public repercussions. With respect to the Ayzderdzis matter.... Eight people who took part in the crime were arrested—they were members of the Khimki criminal group of a certain Burlak (the day before, he was knifed by criminals in jail). Another five—under federal investigation—all worked as guards of the commercial bank MDK-Bank, where A.D. Ayzderdzis was formerly chairman of the board.

Exactly a month passed, and N.A. Perevoshchikov, Udmurtia deputy minister of Internal Affairs, and his wife, son, and daughter were brutally shot at night in their own apartment in Izhevsk. Seven members of the criminal group have already been arrested, including the brother-in-law of the murdered man (whom hired killers had already come to eliminate), as well as a guard from the Alt limited liability partnership, a consultant for an insurance firm, and members of a militant group.

The murders of R.S. Musin, deputy chairman of the Bashkortostan Supreme Soviet, and V.S. Mikhaylenko, chairman of the Karelian Republic's State Committee on Property, were also disclosed.

Last month in Smolensk, a gang of nine people who had murdered foreigners on highways in Moscow, Kaluga and Smolensk oblasts, seizing their victims' property, was liquidated. Printed militia forms, automatics, carbines, over 1.5 kilograms of tolite, mechanical firing devices and five radio units were removed from the criminals, as well as icons, foreign-made machines, currency, gold and diamonds....

[Parfenova] And the murder of Dmitriy Kholodov? It is rumored that the Federal Counterintelligence Service is not being admitted into the investigation of this case....

[Abramov] This is not true. The MVD [Ministry of Internal Affairs], the FSK [Federal Counterintelligence Service], the GRU [Main Intelligence Administration] and the Office of the Procurator General—are all working together on a version. I cannot say more for the time being—there is such a concept as investigative confidentiality. I am sure of one thing: Kholodov's murderer will be revealed.

[Parfenova] How many "made to order" murders are committed? The press gives terrifying figures—one gets the impression that professional killers are walking along the streets side by side with us, and that every day they perform their villainous work "meticulously."

[Abramov] It is hardly possible to give the precise number of ordered murders. Until a case is investigated, and until the perpetrator is found, we cannot say that a murder is "to order." Is it perhaps a lover's revenge or a drunken hooligan hitting a bottle over someone's head? I am ready, however, to give a list of the truly premeditated murders, performed "for hire," which have been solved (26 in the first half-year).

Three "thieves within the law" [crime bosses] were killed at different times in Moscow: Nikiforov (criminal nickname, Kalina), Dlugach (Globus), and Vanner (Babon). Rumors also went around at that time: They would never find the murderers, because the militia, they said, had "put them away" themselves. But then in the autumn they arrested two unknowns, suspected of committing crimes. On the way to the militia station, they started shooting at their escorts. Three of our agents died. One criminal was wounded. It turned out that the killer from Kurgan had taken a direct part in the murders of the Russian mafia "godfathers."

It is extremely difficult to investigate crimes like these. The hired killer often comes from another republic, and they give him the weapon and the victim's address. Sometimes he does not even know whom he is going to kill. Afterwards, he gets the money from the customer and leaves for his home town. Nevertheless, we find the executors and those who give the order. Not only for the sake of assuaging public opinion, of course, but for the sake of our own official duty. In most cases, the motive for a "hired" murder is to eliminate business competitors. Less often—for not paying back a loan, a monetary debt. The size of the "fee" is from R50,000 to \$50,000.

[Parfenova] It turns out that, while human life becomes cheap, some specific death is prized....

[Abramov] It is simply that the process of changing forms of ownership in our country often takes pathological forms, and takes on a criminal nature. Whoever gets in the way—is eliminated.

[Parfenova] How do you yourself evaluate the crime situation today on the whole?

[Abramov] On the one hand, the total number of recorded crimes (strange as it may seem to some people) has diminished, but alas, it has taken on a different quality: There are more premeditated murders and serious bodily injuries. Thefts have become less frequent—there are more often robberies and burglaries (with respect to vehicle drivers, they have tripled).

Banks are still among the most criminogenic areas. Last year, as a result of the imbalance in the banking system here, there were mass embezzlements of billions in funds: Forged "Rossiya" checks and bank remittances. Through joint efforts with the tax militia, the FSK, and the Association of Russian Banks, we took a number of necessary measures. The criminals, seeing that the banks were ready to defend themselves, switched to gang actions, such as murdering cash-transaction agents. Strategically important resources continue to be misappropriated and illegally removed outside the country limits. About 5,000 of these crimes have already been recorded this year.

The activity of numerous commercial structures, which, on the pretext of being a profitable investment, wheedle funds from the population, and subsequently appropriate them for themselves—like the famous wheedling "Vlastilina"—is becoming an extremely urgent problem.

Organized crime has become a threat to national security. There are thousands of organized criminal groups operating in Russia. They control and use in their own interests about 50,000 enterprises and organizations, with all forms of ownership. The attempts of individual businessmen to withstand the onslaught of the gangsters is being brutally suppressed. There was an explosion in Moscow recently which blew up an entire floor: They were making an attempt at one businessman, and six families were left without walls, doors, or windows.

In addition to direct criminal terror methods, the criminal societies make use of corrupt state officials. The criminals open accounts in their names at foreign banks and purchase real estate abroad. A tremendous number of weapons are concentrated in the hands of organized criminal groups. The death-dealing arsenal is supplemented by means of interethnic conflict zones and thefts from military units and weapons plants.

[Parfenova] This is the time to ask a question from the stagnant times: Where are the militia looking? After all, the edict of the Russian Federation president "On Urgent Measures To Protect the Population From Gangsterism and Other Manifestations of Organized Crime," in accordance with which the organs of internal affairs have been granted so much power that the State Duma even saw it as a violation of human rights, is already in force.

[Abramov] Many people did indeed adamantly oppose a measure such as detaining a suspect for up to 30 days. This should be investigated. We cannot keep someone who is suspected, for example, of a domestic murder, in a special prison for that long a time. This measure pertains exclusively to those who are suspected of gangsterism or the perpetration of serious crimes as part of organized groups. By limiting the rights of the gangsters, we are thus protecting the rights of the majority of the citizens.

Despite the fears of those upholding human rights, putting the edict into effect did not "damage" the indicators of legal violations or acts of limiting the freedom of the citizens. Some 58 complaints were received, only one of which was recognized by the public procurator as having grounds.

There are results, whatever you say. Thanks to the edict, the legal field of combat with organized crime has substantially broadened. In a few months, criminal proceedings were instituted against 116 people for acts of gangsterism—triple the number in all of last year. Over 12,000 dangerous crimes were uncovered. Some R2.5 trillion worth of misappropriated property, money, and valuables was confiscated.... A federal program to intensify the struggle against crime in 1994-1995 was approved and is in force. Tasks such as ensuring law and order and protecting the personal and property rights of civilians are being achieved within its framework.

[Parfenova] Pardon me, but everyone knows our "mass of plans," which has an abundance of edicts and other statutes, but what is really changing?

[Abramov] I do not agree with you. At least with respect to the program mentioned. The weakest spots in the struggle with crime were selected, and it is here that we are trying to patch up the holes that the criminals are using. A number of special operations have been carried out in the particularly criminogenic regions of the country, including Moscow, St. Petersburg.... As a result, for example, hundreds of units of firearms and hundreds of kilograms of explosives have been confiscated. This means—hundreds of lives have been saved.

In conjunction with the customs officials, we have set up permanent groups at 12 air-, sea- and river ports to combat the illegal export of weapons, narcotics, raw materials, precious metals, and currency.

The economic effect from one target operation alone, Losos, in Pacific Coast waters, is over R11 billion. While the world market is oversaturated with Russian fish at dumping prices, our stores have only carp, at best. The volume of "unofficial" export is 1.5-2 million tonnes!

Border guards, customs officials, and other specialists are taking part in the operations along with us. For example, in order to prove that goods are contraband, hundreds of cars and a mass of documents are checked, conflicts with guards, usually armed, are settled.... Many of our staff members come under fire every day. This year, 144 staff members of the organs of internal affairs died performing their official duties, and 351 were wounded. This is also in answer to the question: Where are the militia looking.

[Parfenova] Why then, with such complex operations, do the people not notice any results?

[Abramov] It is unrealistic to fight crime with the forces of the MVD alone. We are faced with a tremendous octopus, and the war with it requires general state efforts. In a period of radical changes in socioeconomic relations, when the initial accumulation of capital and a sharp stratification of the population by level of income take place, when behavioral standards change, a rise in crime, alas, is inevitable. So we are fighting the consequences, and the disease is showing ever new metastases. In this situation, it may be a question only of monitoring crime, of a maximum lowering of its level, and of a constant restriction of the sphere of its manifestation.

Unfortunately, the legislative basis is lagging behind the real manifestations of socially dangerous behavior—particularly in the sphere of economic relations. For example, the failure to return currency earnings from abroad and violations of the procedure for issuing securities are essentially beyond the reach of criminal law. For the last three years we have been waiting for the passage of laws on combating organized crime, on corruption, and on responsibility for legalizing criminal incomes, the plans for which we have drawn up and sent to the appropriate authorities.

[Parfenova] By the way, about the legislators. Boris Fedorov recently announced on television that the way he would welcome Mavrodi to the State Duma would be

no other than: "Greetings, 'swindler'"—until he familiarized himself with Mavrodi's financial documents. Scandalous stories have been linked with the names of Tarasov, Skorochnin, and a few others.... If improper acts are taking place, then why does the MVD let us be controlled by these "schemers"?

[Abramov] The people elect the deputies. A great deal depends on the election procedure. In America, for example, a future senator or congressman undergoes a tremendous number of tests and checks by special departments. Just imagine, it is impossible for a person who has fallen under even the shadow of suspicion of a crime to approach election procedure there. But in our country, even the candidates for deputy have become cohorts of the "untouchables."

[Parfenova] What awaits us? A mafia state or will we ultimately be able to cope with the crime wave?

[Abramov] We will work to keep the state from becoming a mafia state. There still remains, however, a mass of unsolved problems determining the socioeconomic situation. This means that the criminal situation will also remain difficult. And the militia? They will do quite a lot to make the negative prediction unjustified.

Federation of Commodity Producers Chairman on Economic Crisis

954E0181A Moscow KRASNAYA ZVEZDA in Russian
11 Nov 94 pp 1-2

[Interview with Yuriy Skokov, director of Federation of Commodity Producers of Russia, by V. Strugovets; place and date not given: "There Are No More Prescriptions For Resolving the Economic Crisis"]

[FBIS Translated Text] Background information. Skokov, Yuriy Vladimirovich. Born in 1938. Graduate of the Leningrad Electrical Engineering Institute, worked in various scientific research institutes of the Ministry of Defense of the USSR, served as director general of the Kvant NPO [Scientific Production Association]. From 1989 he was a people's deputy of the USSR. In September 1990 he was appointed first deputy chairman of the Council of Ministers of Russia. In August 1991 he became an adviser to Boris Yeltsin on economic affairs. In November of the same year he was appointed secretary of the Council on Federation and Territorial Affairs attached to the president, was a member of the State Council, and adviser to the president on issues of security. As of April 1992 he served as secretary of the Security Council of the Russian Federation. After one year, due to his refusal to approve the edict on introduction of a special order of management, he was asked to resign. Presently he is head of the Federation of Commodity Producers of Russia.

[Strugovets] Yuriy Vladimirovich, currently both the economic and political situation in the country is measured by the ruble-dollar exchange rate. How proper is that?

[Skokov] The situation on the currency market is not an adequate measure of our economy. In order to substantiate that thesis, I will cite the following figures. In 1992 Russian industry yielded R13 trillion worth of products. With the average dollar exchange rate of R650, that amounted to \$23 billion dollars. At the same time, actual exports came to \$38 billion. If one also takes into account the cost of oil, coal, and gas at world prices, then this comes to \$200 billion. In other words, a game is taking place on the currency market which in essence is no different than the game that was played by the MMM joint-stock company, which was reiterated by events of "Black Tuesday." In addition, to that it also showed that there is no stabilization. What we have is economic collapse. I am not even afraid of a word like "catastrophe," and not just economic, but socioeconomic as well.

[Strugovets] But we are being assured that at present there will again be help from abroad.

[Skokov] Reliance on Western investors and their technological processes and equipment is unjustified. That is a sticky question: Will the government import investment resources from abroad, creating jobs there and eliminating them here, or will it finally understand that it is necessary to create normal living conditions primarily for its own people, including its military forces. A paradoxical situation has now developed: The defender of the country is actually not needed by anyone. Neither by the government, which is allowing so little for defense that there is barely enough to pay wages, nor by the State Duma, which adopts a budget like that.

One must ask, how does a young officer who has neither an apartment nor a normal salary feel toward his service. What does he think looking at persons his age driving around in Mercedes cars the money for which was earned through speculation? Naturally, to put it mildly, a certain moral discomfort occurs.

All this makes it possible to conclude that the Government of Russia today has no economic program. No one has even seen one. What is today called a program is simply a list of draft laws that were worked out by the government. By the way, this is not even its function or its task. The government must supply a program and ask parliament to ensure its fulfillment by adopting necessary legislative enactments.

[Strugovets] But there are probably some nongovernmental economic programs?

[Skokov] We have enough economic advisers. But what have they actually accomplished? Aganbegyan, Shatalin, Abalkin, Petrakov. With all due respect to their scientific potential, at the present time we are not only failing to see any results of the "concepts of economic reforms" proposed by them, but are not feeling any either. By the way, the very meaning of "concept" presumes a system of views on a certain phenomenon. It is actually, for the most part, a philosophy and not a program of action with a precisely designated time framework and definite work

stages. In that regard the "500 days" program of Grigoriy Yavlinskiy, of course, was more understandable. It is another matter that it did not satisfy the main task—creation of conditions and a medium for a market economy.

Today I do not know of a program that would meet these requirements. What is being offered are literate, professional prepared documents with a certain general evaluation and views. But that is not a plan of action, which Russia needs in order to avoid an economic catastrophe.

[Strugovets] What must be done, in your view, in order to bring the Russian economy out of its comatose state?

[Skokov] At least 10-15 years with an annual GDP of 4-5 percent and 10-15 percent in the first few years are required in order to restore the necessary economic basis, providing possibilities for improvement in the welfare of the people. Inasmuch as it is necessary to restore industry and agriculture in a new form, considerable investments will be required, which under conditions involving the loss of former accumulations and technological work already done, which cannot be compensated due to a lack of resources, is becoming a very complicated matter. At present the question concerning rescue of such sectors of industry as machine building, electrical engineering, and instrument building is rapidly becoming one of great importance. Their absence makes the economy of the country totally dependent on external factors and prevents efficient development.

This is only a part of the problem. The main point is that at present there are no longer any painless prescriptions for recovery from the economic catastrophe. Today we have only two alternatives: either loss of economic independence or the introduction of a system of restrictions and self-restrictions for everyone. But the latter must be preceded by a comprehensive explanation as to what goals have been set and when they will be attained.

[Strugovets] Can you see a political force in the government or the opposition that could bring about the rebirth of Russia?

[Skokov] Unfortunately, no. Those forces that today are in power or are aspiring to it have up to now not demonstrated any knowledge of what Russia is or what its problems are—national, regional, and economic. As far as specific leaders are concerned... so far, no one has as broad a following and support as Boris Yeltsin.

[Strugovets] You are one of the few leaders of public movements who refused to sign the agreement on social accord. Why?

[Skokov] Back in April, when the president asked if we would sign the agreement on social accord, I answered negatively. The principal reason for this is that at the end of last year, in the name of the congress of commodity producers, we proposed a mechanism for agreement with the government. But it was rejected. Therefore, why should we be sure that the agreement proposed by them

would be more effective? In addition to that, I expressed the apprehension that we might be attempting to adapt to a drastically different situation, a certain old form of relations where the requirement of unconditional agreement with higher leadership was at the basis of any consensus.

The mechanism for realization of the agreement and responsibility for its nonfulfillment is also unclear. For instance, in accordance with point 2 of the agreement on social accord, the government pledged to increase investment activity, expand structural reorganization of the economy, create acceptable economic conditions for the functioning of the agro-industrial complex, and, what is most important, conduct an active social policy aimed at the stabilization and subsequent improvement of the living standard of the population. All of that was not fulfilled. How is it then with the "high responsibility" before society for fulfillment of assumed obligations, which is also recorded in the agreement?

Thus, the agreement on social accord today is more like a set of rules of behavior for the political elite under conditions created by political reform based on the demand for undeviating observance of the Constitution.

[Strugovets] Yuriy Vladimirovich, as someone who directed the Security Council of Russia for one year, how do you evaluate the current security of Russia?

[Skokov] Today it is very complicated to talk about current security of Russia. The situation in that area is just as catastrophic as it is in the economic sphere. In principle, we are wide open. That which our potential enemies obtained in the past with considerable difficulty and with great financial expenditures, we are now giving them ourselves. Whether anyone likes it or not, state, economic, and military secrets have always existed and will continue to exist. We, however, have suddenly opened ourselves up.

In order to ensure its own defense, the state at one time created a mighty army and the technical and industrial potential to support it. Now it is said that nobody needs this, which, I will note, gives rise to a new dangerous factor. For instance, an enterprise can produce good infantry weapons. The state, however, does not want either to buy such weapons or to assist with conversion. In order to survive somehow, the latter is forced to sell the weapons. But weapons make up a highly specific commodity, and the most important condition in its sale is a certain guarantee that they will not be used against you at some time. In our case, unfortunately, that rule is not followed. Practically all Russian soldiers killed in the various conflicts were killed by Russian-made weapons.

If that only applied to the "hot spots"! There is so much weaponry on our hands at the present time that with the occurrence of powerful social upheavals in the country a number of military groupings will appear that will want to take a certain region under their control. Clashes are

possible not even on an ideological basis, as in 1917, but simply as a result of underworld disputes and division of spheres of influence.

[Strugovets] The mass media unanimously regard you as a member of the opposition and predict that you will be occupying various posts, from minister of the economy to head of the Cabinet of Ministers. What are your thoughts in that regard?

[Skokov] I do not consider myself as being in the opposition. Opposition, as commonly known, presumes counteraction to someone's position. In this case, the position of the country's leadership. But the point is that the Russian Government of today has no position. What is there to oppose?

As far as participation in the government is concerned. I have not received any concrete proposals. If they should come, however, the question with regard to that will be resolved not by me alone, but by the entire Federation of Commodity Producers of Russia. As far as my meetings with Chernomyrdin and Soskovets are concerned, which are mentioned in a number of articles, they were conducted to brief the government on decisions of the Third Congress of the Federation of Commodity Producers of Russia and to discuss concrete proposals of domestic commodity producers concerning the resolution of economic problems of Russia. That was all.

10 November Government Session, Financing of Federal Programs Discussed

954E0185A Moscow KOMMERSANT-DAILY
in Russian 11 Nov 94 p 3

[Article by Vladislav Borodulin, under the "Government Presidium Session" heading: "Session Held of Reformed Cabinet"]

[FBIS Translated Text] Extended and harsh argument over various topics is quite a frequent phenomenon at government sessions. Yesterday's session, however,

proved unusually run-of-the-mill. The only slight animation was roused by Sergey Shakhrai's warning about the inevitability of another government crisis in the December-January period. The discussion of the list of federal programs followed the familiar scenario: Each of the ministries agreed in full with the principles of the investment policy but called for clearing up the misunderstanding that had deprived their branch of subsidies.

Theoretically, there was reason for serious discussion at the government session yesterday. First, the Cabinet members discussed the 26 deputy comments expressed on 27 October during the vote of confidence in the government. However, the conversation shifted immediately to a somewhat different plane: The sense of the statements boiled down to the necessity for the interaction between the government and the parliament to be improved. The prerequisites for just this kind of development of events were in place: It is hard to think up a new answer, other than a statement about the Cabinet stepping down, for a comment such as, "There is serious deindustrialization of the economy under way, and scientific-industrial potential is being destroyed." As a result, it was decided to analyze within a week's time all the parliamentarians' comments and also reply to their specific questions. In addition, the decision to start work on another optimization of the government's structure must unquestionably be considered important. During the session, the idea of supporting the initiative of the State Duma and the president on a 30 percent staff reduction seemed to arise spontaneously. However, according to ministers' assurances, the cut would lead to administrative paralysis. Therefore, changing the government's structure is essential. For example, there is a proposal to combine the Ministry of Social Protection, the Ministry of Labor, and the Federal Employment Service into a single ministry. In charge of it, most likely, would be Yekaterina Lakhov, the leader of the Women of Russia faction, who, according to the available information, will replace Yuriy Yarov as deputy prime minister (Russia will nominate Yarov for the post of chairman of the Intergovernmental Economic Committee of the CIS).

Official Agenda for 10 November Government Session

Issue	What Was Decided
On the proposals and comments addressed to the government at the 27 October State Duma session	Decision passed "to analyze deputies' desires from and claims against the departments and government as a whole and to send replies to the Duma"
On the list of special federal programs proposed for financing in 1995 out of the federal budget	List of programs approved and after specific additional work will be submitted to the Duma as part of the "budget" packet of documents
On the draft Russian Federation Labor Code	Draft approved on the whole, and a month allotted for further work on it
On draft special federal programs on the problems of disability and the disabled	Presented programs approved
On the draft federal constitutional law "On the Procedure for Changing the Constitutional-Legal Status of Russian Federation Subjects"	Draft elaborated by Ministry for Nationalities and Regional Policy Affairs approved
On the draft federal law "On Pedigree in Animal Husbandry"	Approved

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The government's equable mood could not be destroyed even by the speech of Sergey Shakhrai, who had decided to adopt the role of Cassandra. Blaming those present for the fact that "the government is hiding its head in the sand," the deputy prime minister stated that the next governmental crisis would break out in the December-January period, when parliament was examining the 1995 budget. Actually, the presidium's languid reaction to the words "you must prepare for early elections or the government stepping down" could be explained by the fact that they were addressed primarily to the parliament rather than the executive branch. As for the issue most important from the economic standpoint, financing federal programs, that discussion followed the familiar scenario we have known for decades. None of those present dared state directly his disagreement with the highly "market" (in form) principles of the state's investment policy, although absolutely everyone failed to understand why exactly his branch had lost a significant portion of its budgetary capital investments.

[Box, p 3]

Some Federal Programs Proposed by the Ministry of Economics for Financing in 1995

"Fuel and energy" (391.17)*, "Food" (479.01), "Development of the Medical Industry and Improvement of the Supply of Medications and Medical Equipment" (182.22), "Conversion of the Defense Industry" (763.6), "Federal Space Program" (857.4), "Communications" (283.25), "Housing" (5,004.3), "Scientific-Technical Program" (475), "The ITER International Thermal Nuclear Reactor" (41.58), "Russian Academy of Sciences Basic Research Programs" (939.9), "Russia's Children" (281.4), "Federal Migration Program" (891.04), "Development of the Economy and Culture of the Non-numerous Peoples of the North" (263.6), "Preservation and Development of Culture and Art" (2,420.3), "Development of State Health Services" (143.64), "Vaccinations" (52.8), "Anti-AIDS" (67.6), "Development of Mineralnye Vody, a Specially Protected Ecological-Resort Region of the Russian Federation" (28.48), "Improvement of Ambulance and Emergency Medical Services" (19.6), "Development of Education" (914.2), "State Support for Small Entrepreneurship" (34.39), "Russia's Young People" (40.25), "Resurrection of Russian Flax" (2.28), "Improvement of Ritual Services for the Population" (5.75), "Development of Electronics Technology in Russia" (235.84), "Development of Civil Aviation Technology" (549.4), "State Protection of Machine Tool Construction" (20.12), "Technical Re-Equipment and Development of Metallurgy" (60), "Increase in Competitiveness of Domestic Output" (173.6), "Preservation of the Russian Forest" (564.32), "Development of the Minerals and Raw Materials Base" (67), "Ecological Safety" (67.37), four programs in the area of accident clean-up (2,325.76), "Strengthening the Battle Against Crime" (6.16), "Socioeconomic Development of the Kuriles" (56.27), two programs on

improving accounting (13.94), and a program in the area of geodesy and cartography (50.47).

*Figures in parentheses are billions of rubles allocated, in 1995 prices. [End of boxed item]

[Box, p 3]

Commentary of the Political Department

After the formation of the nonparty "government of professionals" was completed in general outline, the question arose of how this apolitical government should interact politically with the Duma. The lines of Deputy Prime Minister Shakhrai, who insisted on doing everything possible to strengthen work with the Duma, were countered by the approach of the minister without portfolio Travkin, who pointed out that "by compromising with the Duma in connection with mutual love, the government is "wasting time senselessly."

Despite the outward contradiction between the two positions, they could easily be reconciled. By putting the "emphasis not on politicians," the president returned to the political model of late 1991: a government of technocrats and the authoritarian presidential power to ensure them political protection. Speaking generally, however, the presidency certainly does not have to be brazen and slight the weak parliament. Back in early 1992, Gaydar and Burbulis held week-long meetings with deputies of the Supreme Soviet and—perfectly according to Shakhrai—tried very hard to ensure mutual understanding on key problems. The essence of the presidency is not that interaction with popular representatives be considered a pointless waste of time, but that when all means for mild persuasion have been exhausted, the ruler still retains the final word. Within the framework of this kind of model, the deputies have a choice: either to find an opportunity to work under conditions of "velvet authoritarianism" or else to plunge into the abyss and eddies of new elections. The government is proceeding from the idea that all applicable paths to mutual understanding must be tried. However, while counting on the best and preparing for the worst, it must always have the edict to disband the Duma in its pocket. [End of boxed item]

Regional-Federal Laws Conflicts Also Affect Budgets, Taxes

954E0171B ROSSIYSKAYA GAZETA in Russian
10 Nov 94 p 2

[Article by Anna Kozyreva: "From Allocation to Taxation: Is It Possible To Build a Law-Governed State if Regional Laws Contradict Federal Laws?"]

[FBIS Translated Text] "The cadres determine everything"—the famous slogan has become the guiding principle of a seminar of managers of representative bodies of state authorities of the Russian Federation.

It is worth recalling that "perestroika" began under the slogan of "regional cost accounting." The republics, still in the Union at the time, wanted more independence. It

was clear that precisely excessive centralization of the management of the state was curbing economic development.

As it turned out, the laws that were "baked" did not include the most important and fundamental laws. Their absence can blow up our country. Let us remember how at the first Congress of People's Deputies of the Union Andrey Dimitriyevich Sakharov called for immediate discussion of a new Union treaty. His voice was not heard. And if such a treaty had been passed at that time, today we would not be dividing up military hardware or the Black Sea Fleet or Baykonur....

The representatives of the regions see the failure of the Gaydar reforms in the fact that his program was abstract in nature and was not oriented toward the different regions. In the words of Ramazan Abdulatipov, for example, land reform must be different in North Ossetia than in Chelyabinsk Oblast. The program for privatization must also be regional in nature. Ramazan Zhimuradovich thinks that the present reforms help the situation most in Moscow and possibly in Moscow Oblast but are in no way designed for the republics of the Russian Federation.

In the thinking of the organizers of the conference, his objective is to come to a reasonable compromise between the Center and the regions in matters involving the division of authority. As the popular Polish humorist Slawomir Mrozek once said: "There is no alternative to consensus!" Nevertheless, the regions see such an alternative. Many of them have come to the conclusion that a "bright future can be built in one region taken by itself." And why is this?

Despite the fact that our reforms have been proceeding for several years now, we are by no means able to define our position with respect to such an important question as regional policy. In any event, the way Moscow views the resolution of this matter is directly opposite the view from the regions themselves.

It may be that the managers of the Center and the regions agree on only one thing: that power in the country can be either authoritarian or democratic. And naturally the representatives of the Center think that the regions now have a mass of rights, whereas the managers of the regions think that the Center is returning more and more to a policy of the "iron hand" and "is trampling on the regions."

Take, for example, the recent Edict of the President of the Russian Federation "On Measures To Strengthen the Unified System of Executive Authority in the Russian Federation." The managers of the legislative bodies of state authority in the subjects of the Russian Federation assess it as an attempt to create the kind of rigid vertical structure of administration that existed under Soviet authority.

It is interesting that in accordance with the new constitution the president does not have the right to determine the structure and procedures for the work of the bodies

of state authority of these same subjects. Nor does he have the right to appoint the administrative heads of the krais, oblasts, and cities in the federal structure.... Under this edict, the head of the administration may protest a decision by "his own" legislative body in the courts, which also violates the constitution. The managers of the regions are resolute about defending their interests.

And whereas some may demand that the edict under consideration be sent back to the Constitutional Court, there are others who, without waiting either for a competent decision on the edict in question nor for the passage of the corresponding federal law (the edict is only provisional "pending passage of federal laws and laws of the subjects of the Russian Federation"), will pass their own laws. But it is absolutely clear that the regional laws must still be passed after federal laws and in accordance with them!

Here you have a problem that tests one's ability to think: building a law-governed state with the existence of federal and regional laws that contradict each other and with the variety of constitutions that have been adopted in the republics of the Russian Federation. Ultimately it is necessary to work out a mechanism for the implementation of joint powers and joint responsibilities of regional and federal bodies with respect to each other.

The most difficult question is the formation of regional budgets and the allocation of taxes to the federal budget. Do you remember from history the period of "war communism"? At that time the country needed bread. Food requisition detachments sent out from St. Petersburg took from the peasants not only their surpluses but also grain necessary for the feeding of the peasant family. This was called "grain requisition."

Today the country needs money. It exists where they sell oil, gas, timber.... In the regions. And the task is to obtain the necessary financial resources with the help of taxes. Once again we are seeing a kind of allocation. But the regions dream of its being replaced by a "firm tax." Nor would they object to their own particular agreements with the Center. Whereas the first problem can be resolved, the conclusion of 89 bilateral agreements (the number of subjects of the Federation) is quite unrealistic, because the country will not have a unified market and every region will play under its own rules. And each of us will have a different tax burden depending on the territory in which we live, which, of course, conflicts with all constitutional norms. Every inhabitant of Russia must also feel that he is a Russian rather than a person from the Caucasus, Volga region, or some other nationality. The strength and power of the unified state must stand behind each region.

For the present, budget and tax problems are essentially not being resolved by joint legislation. There is no law "On Common Principles for Taxation and Fees of the Russian Federation." The law is necessary and for the passage of the operative budget for 1995 the Federation

Council is prepared to rely in this question on the opinion of the regions and to develop principles of budgetary-tax federalism. The essence must be to give the authority at the top no more funding than it needs to carry out federal programs. But there must also be the appropriate means for the execution of the corresponding powers of the regions. For the time being, the regions are not inclined to see any glimmers of federalism. They have to call just about every day or run to the Ministry of Finance to beg for money for their needs.

Yes, a constitution has been adopted that sets forth democratic principles. But this is just the beginning, because the constitution only indicates the rules of the game in the formation of a federative state. We also have a Federative Contract. But the main thing is that there is still no federative policy. The very principles of federalism need to be developed. The various power structures do not have respect for each other. In short, there is a great deal of work to be done here, as they say. And, the main thing, it appears that everyone now understands that the problems must be resolved and vitally important laws must be passed. We are moving away from the "comfortable" position of not deciding anything and letting everything work out by itself. In this one can see the guarantee that the unity of the country will be strengthened.

Edict on Creating AvtoVAZ-KamAZ Financial-Industrial Group

954E0171A Moscow ROSSIYSKAYA GAZETA
in Russian 9 Nov 94 p 4

[“Edict of the President of the Russian Federation: On the Creation of a Financial-Industrial Group with the Participation of the Joint-Stock Companies AvtoVAZ and KamAZ”]

[FBIS Translated Text] For the purpose of concentrating material and financial resources being directed into the development of domestic automobile manufacturing and the improvement of its export potential and competitiveness, I decree:

1. Approve the initiative of the joint-stock companies AvtoVAZ and KamAZ supported by the Government of the Republic of Tatarstan, the administration of Samara Oblast, the State Committee of the Russian Federation for Industrial Policy, the Committee of the Russian Federation for Machine-Building, the State Committee of the Russian Federation for Antimonopoly Policy and Support for New Economic Structures, the Ministry of Economics of the Russian Federation, the State Committee of the Russian Federation for the Management of State Property, and other interested ministries and departments on the creation of a financial-industrial group with the participation of the named joint-stock companies.

2. In accordance with Edict of the President of the Russian Federation No. 2098 “On the Creation of a Financial-Industrial Group in the Russian Federation” of 5 December 1993 (Collection of Acts of the President and Government of the Russian Federation, 1993, No 49, Article 4766), the Government of the Russian Federation is to provide for measures for state support and stimulation to guarantee acceleration of the organization of the production of new and up-to-date automotive technology.

[Signed] President of the Russian Federation B. Yeltsin
Moscow, the Kremlin
2 November 1994
No 2057

Role of Central Bank Analyzed

954E0191A Moscow BIZNES I BANKI in Russian
No 46, Nov 94 p 1

[Article by A.Ya. Tsemyanskiy, chairman of the board of the Deposit Clearing Bank, under the rubric “Competent Opinion”: “Central Bank’s Role in Financial Stabilization”]

[FBIS Translated Text] Events in the banking-credit sphere are quickly becoming the property of broad strata of the public. This is understandable. Actions undertaken by credit institutions frequently affect the vital interests of the country and its population. In connection with this, one cannot overestimate the importance of stabilizing the financial market, especially given our general destabilization, when one day, a day like “Black Tuesday”—11 October—could turn into a “black month” or even a “black year.” To avoid this, we must put our financial house in order. Doing so will require that all participants in the financial market work in a professional manner and meet the obligations they have accepted before other participants in the market according to the established rules.

Lately events concerning financial companies and individual commercial banks whose names everyone has heard—the MMM joint-stock company, Chara, and others—are forcing all of us to think in entirely different categories: categories not of the Philistine who sees only profit or loss but of the financial market professional. After all, this market’s development depends in large part on the conduct of its participants and their financial reliability. In order for that conduct to be more or less proper and predictable, a serious coordination and control center is needed in the person of the Central Bank or organizations that can perform those functions. Our Central Bank has always been the organizing pivot around which all movement in the financial market has developed. Right now, the Central Bank’s significance is mounting even more, inasmuch as many new and at times unprofessional participants have come to the market. Many of them want to become professionals, but they still cannot understand the responsibility that is placed on them.

developed capitalist countries. Recently, as we know, a market in state short-term bonds appeared. This is a rather flexible instrument for regulating the state debt and for mobilizing free funds held by the public, banks, and commercial structures to resolve short-term problems facing the Ministry of Finance and Budget. On the other hand, the regulation carried out by the Central Bank must be based above all on production and not the secondary system of circulation. The Central Bank's credit policy must influence production through commercial banks with the help of interest rates, slowing production down during periods of overheating and stimulating it during stagnation. Herein lies the true role and purpose of the Central Bank. If this goal is achieved, then in addition to the sphere the Central Bank controls, another will arise—the pseudo-sphere for the circulation of the huge funds of financial companies and groups not subject to Central Bank control. We have laws regulating the activities of banks, but where are the laws to regulate the activities of bank-like financial organizations, such as finance-investment companies, insurance funds, and so forth? As yet there is no effective system of control and oversight over them, over the formation of their funds, or over their implementation of various standards. But after all, huge sums are circulating there, including the population's cash.

When such significant funds wind up in the hands of market participants, a temptation arises to invest those funds as profitably as possible and get the greatest profit. However, if there is no effective control over such organizations, the funds invested are subjected to elevated risk. It is clear that here there must be strict, all-encompassing state control. This kind of control exists in all countries. In the Federal Republic of Germany, for example, there is a commission to which banks and other financial institutions are accountable. This commission treats the formation of their assets and debits, as well as the quality of those assets, very strictly. In the event of a violation of rules, these organizations lose their licenses. We have many companies that are carrying out operations on a par with the banks but without having permission to do so from the Central Bank. Many of them simply do not have the right to a license because they are conducting dubious activity. One wonders what depositors who entrust them with their money can expect. How can that money be paid back after the moratoria and other decisions to withhold the payments such companies announce? In the instance of MMM, the state has no obligation to pay shareholders the money they lost, but it does bear a moral responsibility for the absence of a system of effective regulation for the activities of such companies. If we had a procedure similar to that which has long existed in civilized countries, there would be no precedents connected with depositors' losses.

With respect to oversight over commercial banks, there are also various ways to operate. Banking oversight can be effected by police methods, but it can also resemble the doctor-patient relationship. In the latter, a bank

director experiencing difficulties goes to the Central Bank, where he talks over his problems. The Central Bank, like a good and concerned doctor, helps him solve the situation that has arisen. In Russia's Central Bank, similar functions have been assigned to the Banking Oversight Department, but the problem is that we do not have an atmosphere of trust. The relationship between the Central Bank and the commercial banks is more like a game of Cossacks and bandits.

Harmonizing these relations requires fundamentally new conditions. Above all, the Central Bank's distribution functions, the channel via which state credits are given out, must be eliminated. Only after this will subjective factors in lending disappear. In the West, no one allocates or distributes anything. There the Central Bank can offer funds to a commercial bank, but only in the form of their sale at a rate of interest that is created in the market. Through the interest rate it can effectively regulate the economy.

Now let us move away from production. Let us say that an enterprise has produced output, sold it for commercial credit, received a package of bills of exchange, taken them to a commercial bank, and received back real money. Now the producer may continue his production output. It is not profitable for the bank to hold onto assets just in bills of exchange either. It too needs liquid funds, so it takes the package of bills of exchange and goes to the Central Bank. Once the Central Bank is assured that the bills of exchange are good, it gives the bank a discount loan. As of now, this fortunate scenario exists only in our imagination. Even though the prewar law on circulation of bills of exchange is still effective, it is amazing that the Central Bank does not insist that its centralized funds be actively utilized via this effective instrument. After all, a bill of exchange is a high-quality document that attests that someone has produced real output that has been sold for credit, and the producer of this output who needs the credit has taken the bill of exchange to a commercial bank, which has taken it in turn to the Central Bank. In this instance, the Central Bank is operating properly—from top to bottom it is extending credit for production, making use of the bill of exchange circulation. In doing so he is taking no risk. He can believe in the bill of exchange's reliability and always sell it. After all, the bill of exchange is written out for a produced real good. This is why central banks in all countries are called creditors of the last resort, which comes into play when the market is no longer issuing funds. They help live through temporary difficulties with liquidity. Our Central Bank often turns out to be the credit of first, rather than last, resort. When there is no money, where do we run first of all? To the Central Bank. This is a defective practice. We should not be running to the bank; we should be running to the enterprises, in order to produce output and sell it. The problem is that right now none of us is interested in investments. They take several years to yield, and money devaluates quickly. No one knows whether tomorrow will come, to say nothing of next year or the year after. Under these

conditions, there must be more strictness in the sphere of circulation, oversight, and improving the system for licensing trading organizations. On the whole, our state must carry out a policy of protectionism for the nation's economy and defense of our market from the flow of "Snickers" and similar foreign output.

As the first Russian banker, Viktor Vladimirovich Gerashchenko understood all this. It is regrettable that he was forced to leave that post. He had carried out the very important and complicated task of putting our financial and currency market in order (which, by the way, not everyone liked), and brought it closer to the international market. He became the victim of this market. It should not be forgotten that V.V. Gerashchenko was the first among us to introduce the basic principles of regulation and control in these markets. He investigated and experimented a great deal. Viktor Vladimirovich actively relied on international banking circles, inasmuch as he knew them well and spoke with them in the same professional language. He saw the problems that we have to resolve very well. In short, for the good of the cause he ought to have remained in that post, in order to be able to realize his exceptional potential. The departure from affairs of this very high-level specialist is an enormous loss for Russia's banking system.

Now there remains to wish the new leadership of the RF Central Bank success in its difficult work and to express confidence that the Russian banking community will facilitate the introduction of mechanisms to regulate the sphere of monetary circulation, which in the final analysis could stabilize the situation in the interests of the Central Bank, commercial banks, and Russia as a whole.

Chairman on State Committee Industrial Policy Orientation

954E0218A Moscow *EKONOMIKA I ZHIZN*
in Russian No 46, Nov 94 p 1

[Article by Igor Olegovich Shurchkov, chairman of the RF State Committee on Industrial Policy: "The Concept for the Rules of the Game"]

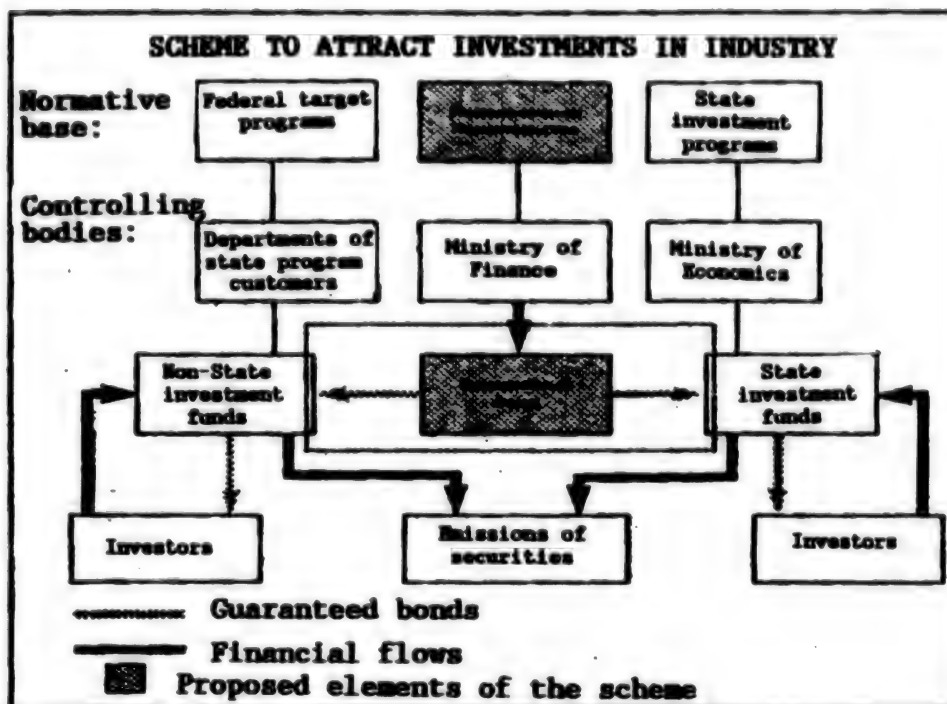
[FBIS Translated Text] The critical situation in industry is undoubtedly one of the obstacles in the path of economic reform. We have not yet, of course, got over the phase of labor development. I should like to emphasize, however, that industrial enterprises which have adapted to market conditions have already appeared on the country's path of economic reform. These enterprises exist in virtually all sectors, and they can become points of support in the stabilization and further growth of Russian industry. Also quite important is the fact that right now there is a sufficiently complete concept of the market methods of following an industrial policy and of the various possible reactions to it of the industrial enterprises. After all, this concept hardly existed in the initial segment of reform. There was essentially no possibility of following any tangible industrial policy,

although it seemed to everyone that it would be very easy to do this, it would be enough, they said to declare certain specific sectors as priority. Among those mentioned, for example, were the sectors of the fuel-energy complex and even light industry. This sort of sectorial approach was virtually unrealizable, however, at the initial stage of major changes.

The situation in the economy is different now. A shift in ownership has occurred. Privatization has brought about new economic structures. A stock market has appeared, with the shares and bonds of industrial enterprises, which are finding a market value. For example, the shares of Surgutneftegaz are quoted on the New York exchange. Also very important is the fact that, as a result of privatization, blocks of industrial enterprise shares have ended up in the hands of the state. True, no clear-cut mechanism for handling them has been worked out as yet. A certain amount of experience has also been accumulated in using the tax institutions and the customs and currency policy. All this will now make it possible to see quite clearly the outlines of an industrial policy as an important, although independent, line within the framework of the general economic policy worked out by the government. It must be noted that our committee has approached this point, with the Concept of State Industrial Policy for 1994-1995, approved by the Commission on Problems of Government Operations. In preparing it, we made a sound analysis of the entire group of difficult problems involved in the development of industry, including sectorial, intersectorial and regional, and we sought new, non-traditional organizational forms such as, for example, financial-industrial groups. Today I can tell you, quite precisely, what we are promoting as priority. We are now making the transition from a planar, one-dimensional model in the comprehension of these priorities to a model oriented toward certain specific sectors, toward a more complex model.

In the first place, priority belongs, above all, to the directions where there are points of growth capable of ensuring intensive development. In the second place, priority should be given to the production, the products and the technology which the state needs right now to ensure its security. Finally, in the third place, there is the production which is of great interest for tomorrow, but which today might seem a risky investment for private capital. The state should support directions, let us say, such as the development of a micro-economy, of computer technology.

In determining the concept of industrial policy, we are proceeding from the precise fact that the economy continues to accumulate a certain potential for growth, and that a critical mass of positive changes is gradually being formed. Even though the decisive turning point will probably come beyond the bounds of 1995, we will undoubtedly see next year how quickly the enterprises and collectives which have found themselves in the new market economy will go to the top. The state industrial policy should contribute to this.



It is imperative that the state's industrial policy be the creation of a multi-sectorial, high-technology industrial complex, competitive with respect to worldwide criteria, and ensuring the strengthening of economic independence and Russia's national security, a fitting standard of living for the people, an improvement in the ecological situation and integration of the Russian economy in the system of world economic relations under equal and mutually advantageous conditions.

In working out the concept, we devoted our main attention to four key problems: restoration of the controllability of the economy; institutional and organizational-economic reform of the industrial complex; the specific nature of the structural and investment policy in industry (see schematic diagram); improving the economic milieu.

Just as any document, the Concept of the State Industrial Policy is to a certain extent declaratory. It can and must be polished and perfected. In contrast to many other documents of a global nature, however, the Concept contains very precise, practical appendices, which name the legislative acts capable of putting the measures outlined into force. The main thing—today we have the drafts of these legislative acts already prepared. We must particularly mention the draft of the law on industry, sent to the departments for approval. In conjunction with the Federation Council, a law on financial-industrial groups has been prepared. The Committee has prepared a list of promising technology, which we propose to support. We have drawn up a list of dual-application technology, available, by the way, in more than just the defense sector.

Industrial policy is also, of course, setting up the necessary rules of the game, with which we must deal first of all. We are already beginning to define these rules more precisely in various directions. For example, should they be identical for the Far North, the Far East, Krasnoyarsk Kray and the Center of Russia? Government, legislative structures and public business organizations must take part in the practical working out of these questions.

Each direction of the industrial policy outlined, however, must have the mechanisms for its realization made more specific. I will mention, for example, the problem of supporting dual-application technology. Is it really necessary to undertake the creation of a fund of budgetary resources for private financing of the expenditures of enterprises or to be confined to state insurance for the investments of private capital? The specialists of our committee will seek answers to all questions of this type, with representatives of all the concerned parties taking part. For example, we are paying close attention to making our position specific with respect to foreign trade and the export and import of industrial products, equipment and raw materials. We must ensure the balance of interests of all the parties taking part and being affected, and moreover, a balance which changes with time. After all, Russia cannot always remain a country with 70 percent of its export potential formed by oil and gas. Russia can and should make more efficient use of its natural wealth.

Having created an economic milieu which is favorable for entrepreneurship, however, we are also counting on the desire and active striving of the directors and specialists of the industrial enterprises to master the norms of life in a market economy. It is particularly important

to be oriented toward demand, and not toward production possibilities. What is more difficult—putting out a product or selling it? This question has been solved unequivocally for me: It is harder to sell, and easier to produce. Let us say, the following structure of personnel is characteristic for any major foreign enterprise: 45-47 percent workers employed in production, 5 percent—those engaged in science, and almost half—in selling the goods produced.

Mastering marketing, and placing the management of an industrial enterprise on the proper level as a whole—these are the most important prerequisites for success in a market economy. In the end, the efficient work of industry is determined by how completely it satisfies the demands and needs of the consumer.

Western Criticism of Russian Aircraft Engines Scored

954E0174A Moscow *RABOCHAYA TRIBUNA* in Russian 11 Nov 94 p 4

[Interview with D. Ogorodnikov, director general of the Central Institute of Aviation Engine Building (TsIAM), doctor of sciences, professor, by V. Shchedrin; place and date not given: "A Commentary"]

[FBIS Translated Text] The article devoted to Aeroflot, of course, was not an incidental matter. Abroad they talk with horror about our civil aviation. The State Department of the United States does not allow its personnel to fly Russian domestic airlines, as they are deemed unreliable.

But let us hear from one of our specialists. My interlocutor is Donat Ogorodnikov, director general of the Central Institute of Aviation Engine Building (TsIAM), doctor of sciences, professor.

[Ogorodnikov] When we hear declarations to the effect that in Russia there are no good aviation engines, this, to put it mildly, is untrue. The PS-90, created at the Russian Permskiye Motors Firm and installed on the IL-98 and TU-204 aircraft, is just as good as any foreign-made engine of the same class. It has good characteristics with regard to economy, ecology, noise level, and other parameters.

But it was born just recently. This means that extensive operation is necessary in order to reveal its main diseases and learn how to treat them. The PS-90 is still an infant. It is barely a year old and must be nurtured and raised, that is, developed further. This, however, requires money. Who is going to provide it? In theory, the ordering organizations. But the situation is such that there are no ordering organizations around.

[Shchedrin] Formerly there were ordering organizations?

[Ogorodnikov] In the years before perestroika, we worked on the creation of the most modern engines for military aviation. I would not be lying if I said that we achieved great success. The MiG-29 and SU-27 aircraft

were recognized as the best in the world, and their engines were best in a number of indices. It is known what these aircraft are capable of in the sky and their engines work, without fail.

Our MiG-29 made its first appearance at the air show in Farnborough in the late eighties. Perhaps it was no sensation, but a crowd of curious onlookers were always crowding around our exhibit. Then Anton Kovchur got behind the controls and demonstrated what a MiG could do in action, that is, in the sky. Witnessing that performance, the airfield was awed.

What are we seeing? The aircraft climbs vertically with no after-burner. It continues by inertia and then practically stops and starts falling, tail first. After descending 200-300 meters, the pilot brings the aircraft to horizontal flight and continues flying. To a specialist that maneuver is important because, first of all, it characterizes the controllability of the aircraft in the full range of speeds and, secondly, it demonstrates reliability of the power plant and the engine under all conditions. Not a single fighter in the world except the MiG-29 could execute such a maneuver at that time.

Not everyone was awed, however. The chief pilot of the French Dasso firm publicly declared that our (he meant their) Rafal-A is better and there is nothing to be proud of the MiG for. Our pilots do not like to argue, at least on paper. They suggested, through the press, that "demonstrations" of the MiG and the Rafal be organized. The French did not respond.

Thus, in making engines for military aircraft, we almost completely neglected civil aviation, D. Ogorodnikov continued. About five years ago, a decision was made to create one standard engine for all Russian aircraft. That was when Minister Silayev was still in office. As a result, we have the PS-90; and instead of just Aeroflot, we have dozens of companies that would perhaps buy our engine, but they are not exactly swimming in money. The fine-tuning of just the PS-90 is costing R500 million. Thirteen, or at least 10, years of work are required to develop a new engine. It is cheaper and faster to improve old engine models, but that makes no sense. We have the exceptionally reliable AI-24 engine, which, it is true, is now being built in a foreign country—Ukraine. There are the Kuznetsov design bureau engines: NK-8, NK-88, and NK-82U, which are installed on the IL-62 and TU-154 and are not very economical but were created some time ago.

A new engine is under development the present time on the initiative of our institute by the Kuznetsov Design Bureau in Samara. It has a thrust of 18 tonnes, which is two tonnes more higher than the PS-90, with a high degree of economy. We have already demonstrated a model of the new engine at a show and produced six working units. About five years are usually required from that stage to the start of series production of the item. With serious financing, this time may be reduced.

[Shchedrin] There are no ordering organizations again?

[Ogorodnikov] This time there is an ordering organization in the form of the program for development of civil aviation up to 2005. The problem, however, is that this program is being very poorly financed. We have not been paid our wages since August!

[Shchedrin] Who are "we"?

[Ogorodnikov] Our institute, in part. Around 50 workers burst into my office some time ago. They came in their work clothes straight from their machine lathes. We do not employ unskilled workers; every one of them is very highly skilled. "How are we going to feed our families?" They asked. What could I tell them?

Our institute is officially subordinated to Rosoboronprom [Russian Committee for Defense Sectors of Industry], but financing comes directly from the program for development of civil aviation making up 30 percent of our budget. We receive another 35 percent of the funds we need as a scientific center from the Ministry of Science. We are supposed to get the remainder from the military, since we are working in the military sphere as well. But they have no funds. That is why we work on enthusiasm multiplied by financial mismanagement.

Frightening things are taking place which are difficult to even talk about without becoming emotional. Recently someone brought me a newspaper clipping indicating that the VILS Institute—a world-famous firm which also creates series production equipment for the output of materials used in aircraft building, intends to sell China a 40,000-tonne gazostat. The device allows production of turbine compressor blades with granular metallurgy. It is the only one in Russia. There are no others. If that should happen, there would be nothing to make the PS-90 with. The sale has been delayed for now. But so many sales like that have gone through in our country unbeknownst to anyone.

I do not want to exaggerate, but unless we devote attention to engine building in the next year or two, find the money, and begin financing this branch, we will fall behind in aviation forever! Just as we have fallen behind in cybernetics. That is my profound conviction, based on 40 years' experience in this branch.

Devotees of the card game of preference know the term "American aid." In other words, you cannot get rid of them. Thus, TsiAM is very well known overseas and many companies collaborate with it. Its specialists are valued. Representatives of the Pratt and Whitney Company, [illegible name], Rolls Royce, and General Electric are frequent guests at the institute. At their behest, TsiAM specialists conducted remarkable research, receiving remarkably modest remuneration for their work. Even these crumbs, however, made it possible to purchase the most vitally needed equipment and modern measuring instruments. Thank you, of course.

Pratt and Whitney went even further. Having its engine with 16 tonnes of thrust, like the PS-90, the Americans

elbowed aside the Germans, and possibly will be creating a joint venture with the Reshetnikov design bureau for the further development of our product. Helping a competitor appears not to be the American way. Perhaps that is a new level of cooperation, which is poorly understood by an ordinary mortal. Which engine will eventually be purchased by our Russian airlines, such as Aeroflot, for example?

"We do not know what Aeroflot will be buying," D. Ogorodnikov states. "We have heard something else to the effect that duty on the sale of Boeing aircraft in Russia will be lowered. In Seattle, where this announcement was made, there were a lot of ovations—the palms of American aviation industry workers are strong. Such an announcement means that the national aviation industry will be destroyed. We will be getting 'Boeings' that were patched up and darned but with new American engines. This will apparently do for Russia.

"First we shall lose our airplane pool, then the personnel will depart. There is almost no influx of young people. Graduates of physical and technical science schools are going to work in banks in droves! They are all computer aces, but we cannot pay them what the banks offer. Our own specialists will move to foreign firms at a salary an order lower than the clerks get over there, but by our standards—a very high salary. What can be done?

"We are already almost unable to test our own engines. In the eighties, engine testing at the TsiAM subsidiary was 2,500 hours, whereas at present it is 50 hours. There are no funds. What sort of an improvement in characteristics is it possible to speak about with such indices!"

[Shchedrin] Donat Alekseyevich, I am also asking, what can be done? What are you going to do?

[Ogorodnikov] Us? Keep working. We have a small plant attached to the institute. Even though it is small, it can do almost anything. We are expanding it and will be creating demonstration engines. Since the industry cannot do it, we will get along on our own. Perhaps without operational maintenance or extensive engine testing time, but with new design features and approaches. I assure you that we have some excellent minds, and in general there is nothing we could learn from Western specialists. In about five to seven years, there will be a new generation of engines. Some of the concepts we have, believe me, are quite remarkable.

Directive on Improving Legal Culture of Voters

954E0179C Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94

["Presidential Directive on the Federal Program for Raising the Legal Culture of Voters-Citizens of the Russian Federation, Organizers of the Electoral Process, and Representatives of Public Associations of the Russian Federation"]

[FBIS Translated Text] For the purpose of improving the legal culture and ensuring activity of voters-citizens of the Russian Federation as well as the organizers of the election process and representatives of public associations of the Russian Federation:

1. The Central Electoral Commission of the Russian Federation, jointly with interested representatives and executive organs of state power of the Russian Federation, with the participation of representatives of electoral commissions of the subjects of the Russian Federation and public associations of the Russian Federation, are to submit a draft federal program before the end of 1994 for raising the legal culture of voters-citizens of the Russian Federation, organizers of the electoral process, and representatives of public associations of the Russian Federation.
2. The Central Electoral Commission of the Russian Federation is to be authorized to create a Russian Center of Political Marketing and adopt regulations for it, for the purpose of coordinating and ensuring work on realization of the federal program indicated in Point 1 of this directive.
3. Financing of the Russian Center of Political Marketing in the fourth quarter of 1994 and in 1995 is to be carried out at the expense of funds of the federal budget appropriated for the Central Electoral Commission of the Russian Federation.
4. The proposal of the Council of the Federation of the Federal Assembly concerning the location of the Russian Center of Political Marketing at Tsvetnoy Bulvar, Building 2, in Moscow, with a total area of 200 square meters is to be accepted.

[Signed] President of the Russian Federation B. Yeltsin
1 November 1994
No. 558-rp

Decree on Determining Normative Land Prices

954E0179B Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94 p 5

["Decree of the Government of the Russian Federation of 3 November 1994, No 1204, Moscow: On Determining Normative Land Prices"]

[FBIS Translated Text] In accordance with Article 25 of the Law of the Russian Federation "On Payment for Land," the Government of the Russian Federation decrees as follows:

1. Determine normative land price in an amount equal to 200 times the land tax per unit of area of the land plot.

In determining the normative price of land, no account is taken of any preferential land tax rates or any increases in the amount of tax for exceeding land allotment norms.

2. Organs of executive power of the subjects of the Russian Federation may establish markup coefficients on top of the normative price of land, determined in accordance with Point 1 of this decree, upon the request of committees on land resources and land amelioration, depending on the level of market prices of land earmarked for different uses in the various land value zones. The normative price of land must not exceed 75 percent of the level of market prices for land plots designated for specific use in the corresponding price zone.

The administration of the district or city may raise or lower normative land prices established in the indicated manner, but by no more than 25 percent.

3. In conducting transactions with land plots with the use of the normative price as stipulated by legislation of the Russian Federation, district (city) committees on land resources and land improvement, issue citizens and legal bodies a document on the normative price of a concrete land plot.
4. The Committee of the Russian Federation on Land Resources and Land Improvement is to carry out price zoning of land and calculation of the normative price of land in a systematic manner.
5. Deem the following as obsolete:

Decree of the Government of the Russian Federation of 25 February 1992, No. 112, "On Adoption of the Order Used in Determining Land Tax Rates and Normative Land Prices, and the Order Used in the Centralization of Funds Created Out of Payments for Land in a Special Budget Account of the Russian Federation and Their Utilization";

Decree of the Government of the Russian Federation of 11 June 1992, No. 402, "On Introduction of Changes in the Order of Determining Land Tax Rates and Normative Land Prices, Adopted by the Decree of the Government of the Russian Federation of 25 February 1992, No. 112."

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation

Law on Pension Fund Budget

954E0179A Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94 p 5

["Federal Law: On Pension Fund Budget of the Russian Federation for 1994" adopted by the State Duma on 14 October 1994, approved by the Federation Council on 25 October 1994"]

[FBIS Translated Text]

Article 1. Adopt the pension fund budget of the Russian Federation for 1994 with R39,691.69 billion in revenues and R38,617.34 billion in expenditures, with excess of revenues over expenditures amounting to R1,074.35 billion.

Article 2. Stipulate that revenues of the pension fund budget of the Russian Federation in 1994 shall form on the basis of the following sources:

	(Millions of rubles)
Free balances of monetary funds on 1 January 1994	491,500.0
Insurance premiums	38,784,877.0
Other revenue	415,310.3

Article 3. Stipulate that in 1994 the payment of state pensions, which is financed in accordance with legislation at the expense of the federal budget, is to be made by the Pension Fund of the Russian Federation on a returnable basis.

The government of the Russian Federation is to compensate expenditures of the Pension Fund of the Russian Federation for the payment of state pensions and grants, financed out of the federal budget, with consideration of the actual execution of the pension fund budget of the Russian Federation and the federal budget.

Article 4. Disburse payments from the Pension Fund of the Russian Federation in 1994 in the following manner:

	Millions of rubles
Payment of retirement pensions in accordance with the Law of the RSFSR "On State Pensions in the RSFSR"	34,916,079.6
Unemployment compensation for unemployed able-bodied individuals taking care of disabled citizens	14,008.3
Payment of pensions to citizens departed abroad for permanent residence	1,400.0
Payment of grants	225,184.2
Payment of state pensions, financed at the expense of the federal budget—total	1,819,893.7
Including:	
Pensions to military personnel and citizens equated to them with respect to pension as well as to their families in accordance with the Law of the RSFSR "On State Pensions in the RSFSR"	600,435.6
Social pensions in accordance with the Law of the RSFSR "On State Pensions in the RSFSR"	600,435.6
Compensation in accordance with the Law of the Russian Federation "On Social Protection of Citizens Subjected to Radiation as a Result of the Chernobyl Atomic Power Station Accident"	132,000.0
Expenditures on delivery of pensions	1,262,390.9
Maintenance of organs of the Pension Fund of the Russian Federation	231,131.0
Measures for the training and retraining of personnel	2,252.0
Capital investments and design work	105,000.0
Organization of a state data bank of insurance premium payers	

Article 5. Establish a fixed standard for operating funds in the pension fund budget of the Russian Federation at the start of each month in an amount of 60 percent of the amount of expenditures on the payment of pensions in the forthcoming month.

Establish a fixed operating fund for the pension fund budget of the Russian Federation on 1 January 1995 in the amount of R2.7736 trillion.

Channel the amount by which revenues exceeded expenditures in the pension fund budget, which came to R1,074.35 billion, to supplement the operating funds of the Pension Fund Budget of the Russian Federation on 1 January 1995.

Article 6. Ascertain that in 1994 the work providers pay the monthly insurance premiums by the established deadlines at the designated banks for the preceding month by no later than the 15th of the month for which the insurance premium is due. Work providers pay mandatory insurance premiums for workers, including working pensioners, in the same manner.

Work providers without accounts at banking establishments, as well as those remunerating labor using proceeds from the sale of products, performance of work, and extension of services, pay insurance premiums before the 10th of the month following the month for which the insurance premiums are payable.

[Signed] B. Yeltsin, president of the Russian Federation
Moscow, the Kremlin
5 November 1994
No 35-FZ

Report on Draft Law Regulating Central Bank Activities

954E0201A Moscow KOMMERSANT-DAILY
in Russian 15 Nov 94 pp 1, 2

[Article by B. Boyko: "Spirit of Gerashchenko Still Preserved in Central Bank Offices"]

[FBIS Translated Text] Following the departure of Viktor Gerashchenko, chairman of the Central Bank, influential deputy groups intensified their struggle for a cardinal revision of the draft law introducing changes and amendments in the Law "On the Central Bank" and the Law "On Introduction of Changes and Amendments in the Law on Banks and Banking," which were adopted by the State Duma at the first reading as early as last summer, after an entire series of mutual compromises both by the Central Bank and the parliamentary subcommittee headed by Boris Fedorov. Just yesterday, on the eve of the session held by the Budget and Finance Committee of the Duma, a substantive revision of draft laws that were created on the basis of the view "a la Gerashchenko" which was prevalent in parliament, appeared inevitable. In the course of the session, however, it became evident that work on draft laws continues as before. More than that, the positions of the Central Bank and parliamentary

specialists frequently turned out to be better coordinated than those of the Central Bank and the Ministry of Finance.

[begin box]

Certain Proposals of the Ministry of Finance Concerning the Draft Law "On Introduction of Changes and Amendments in the Law of the RSFSR On the Central Bank of the RSFSR (Bank of Russia)"

- Introduce an article prohibiting utilization of foreign currency as a means of payment in noncash transactions involving goods and services. Grant the Central Bank the right to recall the licenses of banks and credit establishments guilty of violating this prohibition.
- Place in effect Article 9 prohibiting the Central Bank from participation in the capital of other banks, organizations, and enterprises if they are not in support of activities of the Central Bank (except in cases specified by federal laws) as of 1 January 1995. [end box]

It is possible that the deputies were simply studying Tatyana Paramonova as the potential future chairman of the Central Bank, particularly because prior to the discussion of the draft law they almost unanimously supported the president's proposal submitted to them the previous day naming her as a candidate for that position. In her speech in response, Tatyana Paramonova dwelt briefly on the primary tasks of the Central Bank, noting that next week the Central Bank will be submitting its analysis of the causes bringing about the collapse of the ruble on "Black Tuesday." Presaging that analysis, in her response to the question about the causes of "Black Tuesday," she declared that the activity of Central Bank in support of the foreign currency exchange rate was limited from the start by the 20 percent level of reserved funds. With regard to the feasibility of changing the mechanism involved in establishing the foreign exchange rate, Paramonova noted that until now, while the budget deficit remained at a level above 5-6 percent, the floating rate regime was the only one possible.

Her evaluation of the government's intention of eliminating the system of covering the deficit with Central Bank credits in 1995 sounded somewhat vague. Inasmuch as it could be understood at the present time, she doubts that this could be done as early as 1995. Which, by the way, also coincides with the opinion of Aleksandr Livshits, the recently appointed assistant to the president for economic affairs. After a brief "examination," in the course of which some formal questions were asked, the committee voted to recommend that the State Duma accept her candidacy to the post of Central Bank chairman.

In the light of the forthcoming discussion, the greatest interest was presented by the opinion held by Paramonova concerning elaboration of legislation on the

Central Bank. She made it quite clear that with respect to the infringement on the independence of its structure of management, she intends to continue the rigid policy conducted by Viktor Gerashchenko. In her words, the National Banking Council, adopted earlier by presidential edict, can be no more than an advisory organ to the Board of Directors of the Central Bank. At the same time she once again reiterated the position of the Central Bank to the effect that members of the board of directors must work at the bank on a permanent basis.

Nevertheless, the discussion of the draft law on the Central Bank itself, despite a number of complaints against it by the Central Bank, passed without any tumultuous discussions. True, it is also possible to explain this by the fact that the deputies decided to adopt only those articles at the session that provoke no controversy. Discussion of controversial articles was postponed to a later date, since in the course of discussion it turned out that the Ministry of Finance holds views differing from those of the Central Bank on a number of points in the draft law.

The nature of the amendments, however, indicates that further discussion of both draft laws may prove to be drawn out and difficult. An entire package of amendments was also submitted to the Duma by the Budget and Finance Committee of the Federation Council, headed by Nikolay Gonchar. It relied on the proposals made by commercial banks, which leave no hope for softening a number of the legislative norms. In particular, Semen Epshteyn, president of the Resurs Bank, defended the amendment in accordance with which the Central Bank must determine the amount of mandatory reserve deposits in a differentiated manner, depending on the fulfillment of mandatory norms by the bank, the length of time it has been in operation, and the stability of its financial position. At present the only clear one is the position held by specialists of the Federation Council, who tend to support the views of the commercial banks. The viewpoint of the State Duma will apparently become clear in the course of the examination of draft laws at a second reading planned for 16 November.

[begin box]

Principal Differences Concerning the Question of Top Norms in the Use of Their Own Funds by Banks in Acquisition of Shares

Viewpoint of the Ministry of Finance: The current norm of 25 percent raises investment risks to an impermissible level. The norm must be lowered to 10 percent.

Viewpoint of the deputies: Lowering of the norm hinders the formation of financial-industrial groups, and therefore it must exceed the current 25 percent norm. [end box]

Duma Economic Policy Program Presented
954F0323A Moscow NEZAVISIMAYA GAZETA
in Russian 11 Nov 94 p 1

[Article by S. Glazyev, deputy of the Democratic Party of Russia faction in the State Duma: "Is This Really Russia's Choice?"]

[FBIS Translated Text] The appearance of the official forecast of economic development of Russia in 1995 allows a graphic representation of the preliminary results of the first "post-perestroika" five-year period of 1991-1995. Objective quantitative indices are quite unconsoling—only about half of the Russian economy of 1990 remains in 1995. At the same time, the volume of industrial production will decline by a factor of more than two, while output of production in machine building will go down by a factor of three to four. Taking into account that machine building forms the basis of modern economic growth, such a tumultuous deindustrialization of the country means that Russia is ceasing to exist as an economically independent state. The economic, and then the political future of Russia will be wholly dependent on foreign capital.

That is clearly evident in the draft of the federal budget for 1995. Against the background of continuing wholesale deindustrialization and shrinkage of the revenue base of the budget, it is planned to finance that deficit through an increase in domestic and foreign debt. At the same time, the proposed scale of foreign borrowing in 1995 (\$12 billion) is such that by 1996 the foreign debt of Russia will reach \$130 billion, increasing by a factor of more than 1.5 compared with the foreign debt of the USSR in 1990. The emission of state securities in an amount of more than R40 trillion against the background of a declining revenue base of the federal budget may bring about the threat of government bankruptcy in early 1996, coupled with wholesale devaluation of state securities. If that should happen, there will be total disorganization of the financial sector, a worsening of the economic chaos, and deepening of the crisis. Also, in 1996 we will be going into a spiral of growing foreign debt while, expenditures on its servicing will rise more rapidly than the possibilities for its repayment. That will put Russia in full financial dependence on the Group of Seven countries, inevitably followed by a loss of political independence.

A question arises that is quite natural in such a situation: What is to be done? To reconcile ourselves with the clearly defined prospect of our country turning into a colony or to attempt to change the course of economic development?

To me the answer is clear: It is necessary to struggle for the economic rebirth of Russia. Implementation of the program entitled "Fundamental Directions In the Economic Policy of the Government," prepared on the initiative of the State Duma Committee on Economic Policy, will make it possible to activate the scientific-industrial potential existing in the country and attain economic growth in a

matter of a few months, while raising investment and innovational activity, developing structural reorganization on the basis of broad dissemination of new technological processes and conversion of science-intensive industry. That program includes measures for stimulation of demand (both consumer demand—through the restoration of savings—and state demand), creation and activation of institutions of development, formation of financial-industrial groups, protection of domestic commodity producers from the negative manifestations of foreign competition, conduct of tax reform for the purpose of stimulating business activity, establishment of order in the management of state property and finances, and regulation of credit emission, regulation of prices for products of monopolistic enterprises, management of inflation, and other measures, which, according to all the rules of struggle against economic depression, must be applied by the government in the given situation.

We shall strive for the realization of that program. The principal issue that confronts Russia today is not the problem of building capitalism or restoring socialism. It is the question of whether Russia is to be a great and economically independent power or be degraded to the level of a colony. The complex of measures proposed by us must ensure emergence from the greatest depression in modern history and revival of the economic might of the country. The reforms proposed by us are in the interest of domestic commodity producers and entrepreneurs, in the interest of preserving employment in the country and assuring economic growth. It is a line toward the creation of a competitive market economy in which the government ensures conditions for modern structural changes through the widespread use of new technological processes and on that basis attains high rates of economic growth and an improvement in the welfare of the population.

Strange as that may seem, the program being proposed by us met with misunderstanding and was hushed up by government circles. Its support among specialists, in the academic circles, as well as at the congress of commodity producers caused only irritation among the makers of economic policy. The departure of Shokhin and appointment of Chubays to the post of chief ideologist of the economic reform means that the line of neglecting the interests of the development of domestic production and patronage by foreign capital, which dominated executive power policies in the past, will be pursued in an even more systematic and aggressive manner.

Today, perhaps for the very last time, we can still make a choice—either continuation of a senseless and purposeless policy of achieving formal indices with an expectation of a miraculous self-organization of the market and foreign aid, which as early as in 1995 will lead to a final destruction of the domestic scientific-industrial potential, or transition to a pragmatic program of structural reorganization of the economy and on that basis the elimination of economic depression with a rebirth of the economic might of Russia. We select the

second choice in the interest of the vast majority of the population and national business circles. Unfortunately, however, judging by the new appointment of Anatoliy Chubays, the government is oriented toward continuation of the first path in the interest of speculative capital and the comprador bourgeoisie.

A person whose main achievement consists in the parasitic distribution of state property that led to the actual destruction of major industry, the basis of the economic might of a modern state, has been appointed to the post of the principal staging agent of economic policy. In a paradoxical manner the realization of the presidential message on consolidation of the Russian state was delegated to the chief ideologist and organizer of the destruction of its economic foundation.

From the viewpoint of economic feasibility, the privatization organized by Mr. Chubays is an insanity that inevitably had to and did lead to the destruction of economic ties, a sharp increase in transaction costs, numerous violations of reproductive processes, and, as a consequence, to the actual bankruptcy of most of the industrial enterprises. I wrote about that back in 1992. From the viewpoint of social consequences, this constitutes criminalization of the economy and disintegration of society into classes and warring social groups. From the historical viewpoint, it is forced implementation of a social utopia, and, in that sense, repetition of what was the worst in the social practice of the Bolsheviks. The arrangement is also very similar: deception of public opinion with a utopian projection, disregard of the law, systematic and persistent lying, and the fanning of social conflicts.

It is curious that it was specifically at the end of October, when the activity of the government in the realization of the socioeconomic policy was recognized by parliament as unsatisfactory and not suiting the interests of the population, and a question was raised concerning the study of alternative market reform programs by parliament experts, that Mr. Chubays launched an ambitious campaign in the mass media against constructive opposition in the State Duma. The design is known—to frighten the presidential administration with “an attack” by the opposition and then provoke the president into dissolving the Duma.

It is possible to understand the desire of Mr. Chubays not to allow discussion of the question placed on the agenda of the Duma on results of voucher privatization, which has become the greatest swindle of the century. After all, according to available data, proceeds from the privatization of half the state property are close to zero. As a result of the privatization campaign, the volume of industrial production in Russia was halved and disintegration of state property became a source for criminalization of the economy. The State Committee on Administration of State Property has done nothing to establish order in the management of state property in the three years it has been operating under the guidance of Mr. Chubays.

It is indicative that in the last few days of voucher privatization the Federal Property Fund started

exchanging shares of over a hundred of the largest and most valuable enterprises checks, a limited amount of which was held by that time by speculative structures. As a result of the artificially inflated offer compared with demand there was a sharp devaluation of the shares of enterprises being privatized, which immediately became the subjects of large-scale speculation. Had the State Committee on Administration of State Property waited just one more day with the sale of the shares of such enterprises as the Russian joint-stock company YeES Rossiya, Norilsk Nickel, Russian joint-stock company Gazprom, Orenburgneft, Moscow NPZ, and numerous others, which were put on auction on 30 June, the budget could have received trillions of rubles of additional revenues, while the special budget fund for support of the Armed Forces of the Russian Federation would have been filled. Budgetary revenues, however, interested the privatizers very little. What proved to be more important was the enrichment of speculators who resold a significant portion of these shares abroad at a colossal profit, which, in essence, the State Committee on Administration of State Property “took out” of the federal budget.

An objective summary of the results of the first stage of privatization at present is probably not feasible, since the appetites of speculators for state property have not been fully satisfied. It is necessary to have time to sell off as cheaply as possible the facilities that are still federally owned, the privatization of which is deemed possible, and the general estimated value of which amounts to more than R300 trillion. The enterprises being privatized include giants of the extracting industry valued at tens of trillions each. Mr. Chubays plans on getting less than R10 trillion for them in revenue for the budget.

Who will be getting the remaining more than R290 trillion from the sale of state property? Such questions irritate Mr. Chubays quite a bit. He does not like deputies who criticize the program of almost free privatization of state property and proposals of the government to get into a deep pit of indebtednesses in 1955. Fear of responsibility is apparently once again compelling all to hide behind the president and prompt him to commit unconstitutional acts.

In 1994 radical economic reform evolved into elementary pilfering of state property and an accelerated destruction of the state machinery. Without collecting necessary revenues, failing to take measures to intensify financial discipline, and closing its eyes to embezzlement of state property and granting illegal benefits, the state transferred the entire burden created by the crisis to the sphere of material production, stifling it with exorbitant taxes and nonpayments, leaving the needy and defenseless part of the population to the mercy of fate. The money that did not go into the budget from “privatization in the Chubays fashion” and was appropriated by speculators who earned billions of rubles on the resale of shares of Russian enterprises purchased on the cheap to foreign companies, never reached the teachers, doctors, or scientists, who are forced to lead an impoverished

existence thanks to the pseudo-reformers. Lacking funds for the financing of the most important expenditures on social needs and economic development, the government continues its almost free distribution of property worth billions of dollars. Against the background of such absurdity, it is proposed that we take the next decisive step along the road of "reforms" and get over our heads into debt!

It is finally necessary to understand that processes taking place in our country after September 1993 cannot be called market transformations. Left without control by a representative power, the government certainly did not concern itself with an acceleration of reforms the promotion of which was the reason for the state upheaval. The granting of illegal privileges to special commercial structures has now become a leading direction of economic policy. In the second half of 1993, some R6.5 trillion were granted in illegal benefits, making up total benefits for the year. In 1994 another R4.4 trillion were granted. During that same period, budget revenues amounted to a third of the planned amount. The sequestering of state expenditures—nonpayment for state orders that were fulfilled, nonpayment of wages for those engaged in budget branches, underfinancing of science and education—these are the main tools of the "reform" policy of recent times. Another reason for the melting of state revenues was the irresponsible attitude of the government toward state property and state finances, which created fertile ground for the blossoming of organized crime and corruption. It was specifically for this reason that the execution of the state budget failed, the presidential message was not complied with, and there was an upsurge in inflation in October, while the State Duma deemed the activity of the government to be unsatisfactory. In order to conceal these banal facts, Mr. Chubays yet again shifted from the academic language of "a literate economist" to one of a "warring Neo-Bolshevik," in which instead of a dry analysis of figures, arguments, and facts, there is a heavy smattering of exhaustive political arguments of the "enemy," "traitors," "put in their place," "incompetents," type of rhetoric. The easy shift of the "scalp hunter" Mr. Chubays to political vituperation is worthy evidence of his high professional training and ethical standards.

Just recently, a significant portion of the population enthusiastically demanded market and democratic reforms, whereas today the reform has become a symbol of disintegration and anarchy in the common psyche. Reforms in our country bogged down over a year ago, and since then the situation in our country has been rapidly deteriorating, descending to the level of a colony in which democracy is replaced with dictatorship, while market competition is turning into a struggle between mafia clans. From the viewpoint of economic reform, today we are as far from a normally functioning market as we were at the end of 1991. The difference consists in the fact that in 1991 we had colossal reserves (state property worth hundreds of billions of dollars, an insignificant domestic debt, and broad public support of

reforms), whereas today we are paupers, the people are disillusioned and indifferent, and the degradation and degeneration of population has begun. This must be understood by anyone continuing to support market and democratic transformations.

Our country still contains reserves that may be utilized in overcoming the depression and shifting to a regime of active structural reconstruction and economic growth. There is a program making it possible to accomplish such a shift. We also have specialists capable of carrying it out. There is not enough political will, sense of responsibility, and just plain common sense.

The appointment of Anatoliy Chubays to the post of first deputy prime minister, handling the financial-economic bloc in the government, indicates that his aggressive nature once again produced the desired reaction "at the top." That appointment will undoubtedly lead to a new upsurge in political tension, a further increase in economic chaos, and discrediting of the idea of market reforms, as well as intensification of the tendency toward curtailment of democratic freedoms and descent into dictatorship.

Today, when obtrusive government publicity about Budget '95 is in full swing, while the main hallmarks of professionalism in the discussion of candidates for ministerial posts are now labels such as "systematic reformer, marketeer" or "firm monetarist," there is an increasingly clear, metallic-sounding note of an active search for traitors and enemies "of the most brilliant and important economic policy." Gradually, against the background of persistent reminding of the Duma about the "year without an adoption," the water is being tested for the adoption of a budget without the participation of the Duma.

When the cherished dream of Anatoliy Borisovich comes true, major industry in this country will disappear, which, according to his neo-Bolshevik world outlook, is the basis for restoration of socialism and the rebirth of a powerful state. We shall lose all vestiges of recently the second largest scientific-industrial potential in the world, and will be deprived of economic independence and prospects for economic growth in the future, and will in fact turn into an underdeveloped colony by the end of the very next year. Gradually, the size of the population as well, the scale of whose degeneration will possibly exceed one million persons a year this year, will come into accord with the needs of a colonial economy.

Could this be Russia's choice?

Provisions of RF Securities Market Edict Examined

954F0324A Moscow NEZAVISIMAYA GAZETA
in Russian 11 Nov 94 p 2

[Article by Vladislav Kuzmichev under the rubric "Finances": "Brokers Change Their Place of Work: Reaction to Presidential Edict on Regulating the Stock Market"]

[FBIS Translated Text] According to the Presidential Edict "On Measures for State Regulation of the Securities Market in the Russian Federation," state securities, inscribed shares of joint-stock companies and banks, options and custom-house licenses for securities, bonds (including those issued by organs of state authority in Russian Federation [RF] subjects and organs of local self-government), housing certificates, and other securities whose circulation is permitted in accordance with RF federal laws and international agreements will be put out for public investment before the passage of the federal law establishing requirements for securities.

The edict institutes a Federal Commission on Securities and the Stock Market under the RF Government. In addition to everything else, the commission establishes the procedure and carries out the licensing and registration for self-regulating organizations created by professional participants in the stock market, determines standards of activity for investment funds and nonstate pension funds in the securities market, and drafts recommendations on the preparation of regulations for the activity and functioning of stock markets.

As Aleksey Vlasov, president of the RTSB [Russian Commodities and Raw Materials Exchange], commented on the edict, the point determining that only professional participants can work in the securities market, on the basis of the appropriate licenses, raises no doubts. At the same time, the obvious haste in implementing this provision (by the end of 1994) creates significant difficulties for the existing stock market. It is not so easy to get a license in that space of time. Moreover, the edict transfers licensing functions from the RF Finance Ministry to the Federal Commission on Securities and the Stock Market. If the Finance Ministry stops issuing licenses, the federal commission is scarcely going to be able to get work going quickly in the near future.

The second point of the edict is formulated in such a way as to allow the possibility of easily circumventing the edict itself. Thus, for example, if the legal entity buys and sells securities in his own name and at his own expense without a public announcement of the purchase and sale prices, then this cannot be considered broker or dealer activity and therefore is not subject to licensing. Thus, the opportunity arises to work in the securities market without a license.

"What puts one on guard," emphasized the RTSB president, "is the fact that, with a sole exception, commission members are state employees. Effective state regulation is scarcely possible without the presence on the commission of securities market professionals who participate directly in its work."

As RTSB Vice President Aleksandr Deduchenko pointed out, in the stock market right now there has been a distinct outflow of individuals involved in buying and selling securities. "The strict measures that the president is preparing with respect to physical entities and enterprises that do not have licenses but are involved in this activity on the

stock market have led to the fact" that a significant number of entrepreneurs who previously worked actively in the market "today have transferred all their activities, at best, to their own offices and to 'telephone work,' and at worst to doorways or the metro."

As Andrey Koshevarov, administration head of the Antimonopoly Committee on Control Over Organized Goods and Financial Markets, commented on the current situation, a decision must be made for the transitional period so that licensing functions are transferred temporarily to other organizations until a similar structure is in place in the Federal Commission.

Moscow-Nizhniy Novgorod Transport Artery opens

954E0184A Moscow GUDOK in Russian 15 Nov 94 p 1

[Article by Z. Shingareva: "The Thrombus Is Removed—In Just One Year Construction Workers Built a High-Grade Four-Lane Highway from Moscow to Nizhniy Novgorod"]

[FBIS Translated Text] The question of whether this highway would be built or not took 30 years to decide. Year after year city officials and railroad and motor vehicle people called for construction. For them the crossing on the 88-kilometer rail line from Moscow to Nizhniy Novgorod was a zone of constant losses and increased danger where accidents that threaten the safety of train traffic were always happening. Every day motor vehicle traffic jams many kilometers long would occur at both ends of the crossing.

This lively intersection of transport flows (more than 200 trains and 20,000 motor vehicles daily) also became ecologically dangerous for the inhabitants of Orekhovo-Zuyevo and the surrounding villages. All these circumstances demanded immediate action.

Finally, at the end of last year it was decided, at a city meeting in which A. Savinov, minister of municipal services, transportation, and communications of Moscow Oblast, took part: The road would be built! And already by 12 November, that is, exactly one year ago, the first piling was driven to support the four-lane motor vehicle highway.

It was last Friday, 11 November, that the ceremonial opening of the road took place. Never in the history of road construction in Russia have we heard or read of such a rate of construction for such complex engineering structures.

The first to arrive at the construction site of the future highway were employees of the Orekhovo-Zuyevo Avtodor [Motor Vehicle Road] organization. They cleared the sector, laid out a diversion channel for the Chernaya River, and moved all utility lines outside the construction zone. And pouring of the earthen approaches began.

As work supervisor V. Buyanov relates, an efficient construction system was organized at the site. Each day 80-85 dump trucks worked there. Each driver knew what had to be done and how much he would receive for his work. Material incentive played a substantial part in the rate of construction. For good pay, people worked without looking at the timeclock, 12 hours a day for the last half month before it was opened.

The oblast administration and city and rayon executives were able to ensure full and timely financing of the construction. No people or machinery stood idle for lack of means and materials.

The bridge structures were built by workers of Bridge Detachment No. 80. Railroad workers also did their part. They ensured "windows" for the construction workers at the right times, moved all their utilities out of the construction zone on time, and reinstalled the catenary with personnel from their own electrical installation train.

In short, everyone was involved in building the road. Electrical and communications workers and drivers from many enterprises and organizations of Orekhovo-Zuyevo and the rayon helped.

It was no coincidence that the rally on the day of the road's opening ceremony drew many people. The ceremony was opened by V. Gavrilenko, head of administration of the city of Orekhovo-Zuyevo. He emphasized that construction of the highway demanded that many organizational questions be decided by the Russian government and the oblast administration, and required significant capital investment.

A. Savinov, minister of municipal services, transportation, and communications of Moscow Oblast, A. Nasonov, general director of the RF Road Department, and others spoke warmly of those who built the road and those who helped and supported the labor collectives who completed this important project.

A telegram of greeting from RF Prime Minister V. Chernomyrdin was read.

The construction workers entrusted I. Cherepanov, deputy head of administration of Moscow Oblast, who kept constant watch over the progress of the work in this difficult year and rendered concrete assistance, to cut the red ribbon to open the highway. The first buses carrying honored guests and construction workers drove over the crossing to the loud accompaniment of a march played by the band.

Ministers, Deputies Differ on 1995 Budget Concept

954E0207A Moscow KOMMERSANT-DAILY
in Russian 18 Nov 94 p 2

[Article by Boris Boyko under the rubric "Budget Process": "The Government Lost the First Budget Battle"]

[FBIS Translated Text] After the "new economic policy" announced by the prime minister in the Duma and the

three-week lull that followed, deputies launched a public discussion of the draft 1995 budget at yesterday parliamentary hearings. As expected, the process did not proceed smoothly: All parliamentary committees that participated in the hearings spoke against adopting the proposed budget concept, and declared the socioeconomic forecast for national development, on which it was based, unrealistic. Sophisticated arguments in defense of the budget presented by new Minister of Economics Yevgeniy Yasin and new Minister of Finance Vladimir Panskov, for both of whom this was the first appearance in the State Duma, did not impress the deputies—each side stuck to its opinion as they parted.

The course of the discussion showed that while "sectoral" committees traditionally and uningeniously demanded that additional money be found, the speeches of specialized committees' chairman—budget and finance and the economic policy committee—resembled more an ideological preparatory bombardment. The main point of contention in the course of discussion was the government's proposal to dispense with the use of Central Bank credits to cover the budget deficit next year, replacing them by sales of state bonds in an amount of R42 trillion to legal and physical persons and attracting foreign loans in an amount of \$12.7 billion. The feasibility of realizing such intentions was questioned at a recent press conference by presidential adviser Aleksandr Livshits and the president's staff's financial-economic administration, where Vladimir Panskov worked until recently. As Yevgeniy Yasin put it, the deputies' opinion of these proposals did not allow for "any shades of gray."

In the opinion of Budget and Finance Committee specialists, diverting R42 trillion from the financial market will "sharply reduce investment activities," while using foreign loans on the proposed scale in a matter of one year "will make the country dependent on international organizations and the governments of these countries." Yevgeniy Yasin's arguments that rising inflation as a result of covering the deficit through its main source—Central Bank credits—is much more ruinous for investment activities than the proposed measures, were rejected.

In discussing the revenue and expense part of the budget, deputy criticisms centered on the socioeconomic development forecast. In the opinion of specialized committees, the forecast is unrealistic in a number of basic macroeconomic parameters. In particular, it was said that with the forecasted low rate of inflation of 27-30 percent a year, the decline in GDP may be 1.5 times greater than envisaged (6-8 percent), and hence the level of tax collection into the revenue part of the budget will be below the planned level. In Yevgeniy Yasin's opinion, however, "the momentum of decline in industry has already run out," and now the declining inflation accompanied by growth in savings will, on the contrary, create conditions for investment and economic stabilization. Lowering corporate tax rates should facilitate this as

well. Parliamentary committee representatives expressed the opinion that the real rate of inflation next year will be considerably higher than forecast, which will affect all basic budget indicators. In other words, budget revenue was deemed overstated. The structure of expenses, in the committees' appraisal, remains inertial, which will impede the conduct of an active investment and structural policy. The minister had a completely opposite opinion on that point as well: Unlike 1994, the budget is realistic, albeit difficult to execute, but there is no way to achieve economic upturn other than through a tough policy.

Nevertheless, Yevgeniy Yasin's opponents had the final word: The deputies did not appreciate all the finesse of the economic policy proposed by the government and recommended that the State Duma to revise the socio-economic development forecast and the draft budget. The budget battle is heating up.

[box, p 2]

State Duma Committee Recommendations

- revise the forecast of socioeconomic development of Russia for 1995 taking into consideration parliamentary committees' criticisms;
- present substantiation of potential changes in the revenue part of the federal budget in connection with changes in the tax law, as well as substantiation for foreign and domestic borrowing in 1995, keeping in mind that they will have to be refinanced in 1996-2000;
- envisage measures to increase collection of taxes and prevent tax evasion;
- increase the volume of investment in economic sectors and strengthen the target orientation of federal programs;
- revise the size of 1995 federal budget deficit;
- envisage in the 1995 federal budget expenditures on institutional transformations;
- in keeping with the Law "On Procedures of Review and Approval of the 1995 Federal Budget," present a draft budget for nonbudget funds for 1995. [end box]

Foreign Investment Situation Assessed

954E0236A Moscow ROSSIYSKAYA GAZETA
in Russian 22 Nov 94 pp 1, 3

[Article by Dmitriy Grafov under the rubric "Topical Theme": "It Is Profitable To Invest in Russia: Foreigners Import Capital, While Our Entrepreneurs Export It. Why?"]

[FBIS Translated Text] "The volume of direct investments in the Russian economy in 1995 may approach 8-9 billion dollars. And the volume of portfolio investments involving the acquisition and sale of stock will reach 1

billion dollars a month starting even in the second quarter of 1995." The first vice premier of the RF, Anatoliy Chubays, stated this in a conversation with an ITAR-TASS correspondent during the break in the meeting of the Council on Foreign Investments held in the Presidentotel on Sunday.

According to him, in 1995 the government will carry out a complex of measures with the aim of more actively attracting foreign investments in Russia's economy. Among other things, it will work on coordinating the activities of the federal organs of power and subjects of the Russian Federation on questions of cooperation with foreign investors, including the creation of free economic zones; organizing and conducting international investment tenders, and preparing concession contracts and agreements on dividing output.

Special attention will be devoted to preparing proposals for creating a system of insurance and guarantees for direct foreign investments and developing a mechanism for using security-based forms of attracting foreign capital, noted Anatoliy Chubays.

We know from theory that given normal economic development, a country receives benefits not only in importing capital but also in exporting it. But, first, our country is a long way from "normal economic development," and, secondly, speaking of overall benefits for the country is difficult if those who export capital definitely come out ahead. As for most people at whose expense this capital is in fact acquired, they definitely lose. After all, reinvestment of profit means additional revenue for the budget through taxes which nourish social programs and new jobs.

The "forms" of importing capital and the objectives may be different. Foreign capital has been especially active on the Russian stock market recently, believes the deputy minister of economics, V. Kossov. Foreign investors, above all that means "financial" investors, prefer to buy stock of privatized enterprises through Russian middlemen at trust prices rather than directly. Such disguised investment by proxy is done not because the foreign businessmen think that Russia is a country in which nothing can be organized and legislation changes once every two days, so it is certainly better to entrust the matter to the Russians themselves. Not at all. First, in the initial stage, legislation prohibited foreign firms from participating in voucher privatization, or the permission of the Minfin [Ministry of Finance] was required.

Now only the subsequent notification of Minfin by the organizers of a competition or auction is mandatory. True, information on foreign investors goes to the Federal Counterintelligence Service [FSK—"Federalnaya sluzhba kontrrazvedki"]. And the FSK may submit a finding giving the reasons for the need to prohibit acquisition of stock. Second, and this is perhaps the main reason for "camouflaged" investment, is the fear of extensive publicity, which immediately creates an uproar and raises prices for stock. But in the meantime

the stock is bought up through middlemen without too much noise and without excessive expenditures, as a rule at a price which is several times lower (if one starts from Western methods of calculation).

By accumulating blocks of stock, the foreign stockholder tries to gain access to controlling an enterprise with hidden potential. Russian methods for appraising enterprises being privatized are at times distinguished by a paradoxical diversity of results, while many American and European auditing and consulting firms hired in the first stages of privatization have now seized a monopoly influence, and it is virtually impossible to get an internationally recognized appraisal of the value of fixed and working capital without them, so there is quite a large number of enterprises "with hidden potential."

After gaining control of an enterprise by buying up stock (this process is called acquisition), the investor, judging by world practice, brings the enterprise up to the required "condition" and sells it to long-term investors. The profitability of these operations is up to 25 percent a year.

It is difficult to say even roughly how much capital has been invested in this type of investments. According to official estimates, at the end of last year they totaled about 300 million dollars, or 10.3 percent of all import investments, but in view of the fact that the investments are made indirectly, in experts' opinion they in fact exceed official estimates several times over. Among the particular enterprises in which foreign capital has shown enormous interest, one can name, for example, "Ros-telekom" [possibly Russian Telephone Company], "LUK-oil" [LUK-Oil], "Gazprom" [Gas Industry], and "Obyedinennaya energeticheskaya kompaniya" [United Power Engineering Company].

Now let us dwell on long-term strategic investors. What attracts them to Russia?

This sector is for the most part joint ventures and enterprises with 100-percent capital. The proportion of the latter in the total number, by the way, increased from 4.3 percent at the start of 1992 to 40 (!) percent at the start of 1994.

Like "financial" investors, "strategic" investors first of all work up very detailed investment "liquidation" schemes, that is to say, ways to export their profits. Above all this applies to enterprises created in the sphere of trade, intermediary and consulting services, and financial and export-import transactions, as well as enterprises offering transport, advertising, tourist, and hotel services. According to official statistics, this sector accounts for a large part of joint and purely foreign enterprises and the lion's share of the investments. As a rule, these enterprises are of medium or small size. Smaller outlays during formation and operation (and consequently less financial risk) as well as a fast rate of return account for their rapid growth.

In the opinion of the deputy chairman of the Council of the Federation of the RF Federal Assembly, V. Viktorov, who in Germany recently discussed the problems of attracting investments to Russia, despite all the interest in importing capital, it is suspicious that the prospects for developing our high-technology and intellectual production capacities—space and aviation technology, electronics, and genetic engineering—that is to say, the sector which has the greatest competitive potential, do not attract foreign firms.

Just what is of interest to foreign capital in the basic sectors and what objectives is it pursuing? For example, joint ventures in the petroleum sector can be divided into two groups in terms of objectives. The first is joint ventures which are working about 50 deposits in various regions of Russia under licenses they have. Their total recoverable reserves are 850-900 million tonnes of oil. In 1993, 8.9 million tonnes of those reserves had already been extracted. The second group of enterprises for the most part makes profit from transferring Western technologies to the untouched interior of the earth in Russia; these include hydrofracturing of formations, diagnostics and optimalization of well operation, and repair. Last year these joint ventures produced 24 million tonnes of oil.

Needless to say, in both cases the oil obtained is used for export. It constitutes about 10 percent of all Russian oil sold. Among the most active exporters are the Russian-Canadian joint ventures "Yuganskfrakmaster" and "Samotlorservis" and the Russian-American venture "Vanyeganeft."

Investments in the food industry are attractive because of the products' high rate of sale on the domestic market and the good profit norm due to rapidly rising prices. Above all they rely on our market's potential: cheap work force and enormous demand for foodstuffs. The Spanish firm "Campofrios" is an example. After setting up a joint venture in 1990, it modernized an old meat enterprise in Moscow and then launched a modern processing enterprise in Ochakov, and the middle of last year began delivering meat by truck (up to 200 tonnes a week!) for processing and sale from its enterprises in Spain. (Counting on higher duties on direct imports of food is not the least important consideration; it makes transferring processing of food raw material to Russia even more profitable).

The same thing can be said of production of detergents, perfume and cosmetics, and medicines. Domestic demand for them is very high, and it is precisely production within Russia which such well-known firms as Henkel and Unilever are developing. The Proctor & Gamble firm owns part of the stock of the "Novomoskovskbytkhim" [Novomoskovsk Household Chemicals] joint stock company and is expanding production of Tikh and Ariel detergent soaps from biological additives supplied by the company.

The "flight of capital" is occurring here too, but the streams have their origins in the purses of housewives and all simple people.

Wear on machines and equipment and lack of development of the transport infrastructure do not frighten foreign capital away from investing in resource-intensive, energy-intensive, labor-intensive, and especially ecologically dirty production facilities. One can certainly divine the investor's hope of achieving some objective on the foreign market behind this, although eloquent words are spoken regarding the scale of cooperation between Russia and the leading countries of the West.

In metallurgy, combining modernizing Russian plants with dismantling certain ferrous metallurgy enterprises in Western European countries is being proposed as a key feature of this cooperation, in the opinion of the experts of the European Union Commission. More than one-quarter of the European Union's capacities for smelting steel have been closed during the last 10 years for various reasons. Thus, Russia may soon become the metallurgy shop of Western Europe and the entire world. Is that good or bad? If hundreds of tonnes of oxides and slag do not fall on the heads of the citizens of Chelyabinsk but are caught by imported traps, they will most likely say good.

The need for state control over foreign investments and the correlation of the interests of Russian consumers and foreign partners is rising even more in chemical industry. Foreign companies see large petroleum-chemical complexes not only as partners, but also as potential competitors, so Western capital is indeed interested in developing production of large-capacity raw material products (propylene, ethylene, benzene, styrene, and methanol), but on a joint enterprise basis.

Ecologically dangerous chemical products are a special sector of foreign investment. For example, Russia accounts for 10 percent of the world production of ozone-destructive freon. According to the protocol of the 1992 Montreal Conference, production of it in the world should be curtailed by 1995. And the DuPont firm, for example, has proposed to locate production of intermediate brands of freon in Russia, which will reduce expenditures and allow the firm to gain time and money to develop new designs of refrigeration compressors and coolants.

At the same time, however, foreign investors are not burning with desire to invest capital in producing construction plastic, synthetic fibers, or special-purpose rubber, since the Western market is saturated with these products, while in our country they are among the imported products crucial to the sector. We are not producing them ourselves, because we are tied to buying them so we do not have to shut down many production facilities.

Thus, there is no paradox in our entrepreneurs and foreign investors' exporting capital. The fact that in the first case capital is exported as a rule illegally is a different matter altogether; this is done by failing to transfer the export revenue to the country, making advance payments under fictitious contracts, paying for services which were supposedly provided abroad, setting import and export prices too low, changing the grade of raw materials, and so forth. But

in the second case, foreign investors export their profit not by illegal methods but by more civilized ones. Their profits include cheap raw material, energy, and labor resources and the money of all those who smoke Marlboros and other jointly-produced cigarettes, wash with the detergent Ariel, and eat Campofrios ham, and too many other things to name.

Government Presidium on Latest Price Liberalization
954E0209A Moscow KOMMERSANT-DAILY
in Russian 18 Nov 94 p 3

[Article by Vladislav Borodulin: "The Next Price Liberalization Has Been Announced"]

[FBIS Translated Text] The Government continues to demonstrate its resoluteness in implementing all the points of the memorandum on economic policy prepared for the International Monetary Fund. The second stage of the liberalization of prices was announced yesterday at a regular session of the cabinet. According to statements of the leadership of the Ministry of Economics, if all its proposals are implemented, the opportunities for administrative influence on the level of prices on the part of the authorities will be reduced to a minimum. Deputy Minister of Economics Yakov Urinson cited the forecast of the growth of prices for oil—from the present 77,000 rubles to R160-180,000 next year—as the most spectacular example of the price revolution.

The memorandum signed by Viktor Chernomyrdin at the end of August about certain trends of economic policy proclaimed the state's intention to plan its policy in accordance with the principles professed by the International Monetary Fund. The government has already taken a few first steps: a "correct" budget has been sent to the Duma, a draft decree on reducing the list of types of activity being licensed has been prepared, and the cabinet is getting ready to cancel non-tariff export restrictions. Russian practice introduces a certain share of conditionality into the government's actions. The draft budget is being evaluated extremely negatively in the specialized committees of parliament (see page 3 for greater detail), the decree on liberalizing business conditions "has been undergoing coordination" in the departments for a long time already, and cabinet members adhere to very differing opinions in regard to the fate of export quotas and licenses. Some declare their impending death and others their existence even in 1995.

It is obvious that the draft presidential edict "On Putting Price Regulation in Good Order," approved at yesterday's session, will be coordinated just as long. Its intention is simple: absolutely all forms of the regulation of prices (with the exception of a very narrow group of goods and services) are to be abolished in Russia (tentatively beginning 20 November). The opportunities of the local authorities are to be significantly restricted at the same time, since the federal government intends to itself determine for what goods prices can be regulated and for what not.

Undoubtedly, the key element of the document is the fact that it calls for the lifting of restrictions on the growth of prices for oil and petroleum products. At present the price for oil and petroleum products is restricted by a ceiling level of profitability (50 percent and 10-20 percent respectively). In addition, the local authorities independently set the retail price for petroleum products in a number of regions. According to a forecast made by the Ministry of Economics the maximum price for oil next year will come to R160-180,000 per ton as a result of the freeing of prices. However, according to the same forecasts, gasoline prices will increase only by 15-20 percent, since taxes, and not the cost of raw material, constitute the greater part of the price of the fuel. In the deputy minister's opinion, liberalization and the simultaneous development of competition in this business will permit one to avoid crises similar to that in Moscow (see pp. 1 and 9 for more details about this).

To ease the consequences of the inevitable growth of oil prices, the Government proposes to spread the final liberalization and the increase of the excise over time. It is proposed that price control be abolished beginning 1 January and excises increased over three months. What decision will be final will become clear on 25 November when an economic conference has to be held in the Kremlin. The proposition is to discuss the government's program for the next three years together with representatives of the regions at it. Viktor Chernomyrdin has committed his subordinates "to finish this draft by this date."

The List of Products and Services, the Tariffs for Which are to be Regulated by the Federal Government

Natural gas, electric- and thermal-power (apart from that supplied by regional energy conservation organizations), the pumping and transfer of oil, defense-related products, precious metals and alloys, raw diamonds, precious stones, freight shipments, loading and unloading operations on railroad transport, hauls of passengers, baggage and mail on railroad transport (apart from hauls in suburban service), loading and unloading operations in ports and harbor dues, the services of the icebreaker fleet, the servicing of aircraft (including aeronavigational servicing), passengers and freight in airports, the services of postal and electric communications, communication services with respect to the retransmitting of the programs of Russian state radio and television organizations.

The List of Products and Services, the Tariffs for Which are to be Regulated by the Executive Authority of the Subjects of the Federation

Electric power and thermal power supplied by regional power supply organizations, hauls of passengers and baggage by all types of urban public transport, payment for housing and municipal services by the population, water supply and sewerage services, solid fuel, certain postal and electric communications services, trade mark-ups to prices for medicines.

The List of Products and Services, the Tariffs for Which may be Regulated by the Executive Authority of the Subjects of the Federation

Supply and sales and trade mark-ups for products and services in the regions of the Far North; mark-ups for public catering products sold in general educational establishments and VUZes; trade mark-ups to prices for children's food products; hauls of passengers and baggage by railroad transport in suburban service; hauls of passengers and baggage by motor vehicle transport over inter-oblast routes and in taxis; hauls of passengers and baggage on local airlines and by river transport in local service; hauls of freight and passengers by maritime, river and air transport in the regions of the Far North; services rendered by industrial railroad transport enterprises on sidings.

Bill Allows Tax Breaks for Trade Unions

954E0230A Moscow KOMMERSANT-DAILY
in Russian 17 Nov 94 p 2

[Article by Olga Garbuzova: "The Law on Trade Unions"; "Trade Union Funds Exempted From Taxation"]

[FBIS Translated Text] Despite the fact that members of the Russia's Choice and Yabloko [Apple] factions in parliament has called the draft federal law entitled "On Trade Unions, Their Rights and Guarantees of Their Activities" meaningless and an infringement on tax legislation, yesterday the Duma accepted it on a first reading. The draft law introduces substantial tax breaks for trade unions. Specifically, it proposes to exempt from taxation all funds received for the purpose of conducting trade union's charter-mandated activities.

Representatives of Russia's Choice and Yabloko stated that in the draft all rights are assigned to only a single trade union organization, i.e. no consideration is given to the possibility of several alternative trade unions existing at the same enterprise. Also cited among shortcomings in the draft are the fact that it contains no articles regulating trade union participation in management, does not specify the terms for formation of new trade unions, and does not specify the number of members required to do so.

Nevertheless the draft was approved on a first reading because it does contain important basic trade union rights, including rights to protect employees' work-related and socioeconomic interests, to bargain and conclude collective contracts, and to organize and carry out strikes.

Under the draft law trade unions have a right to establish commercial organizations, the operations of which are taxable. However, funds received for the purpose of conducting trade unions' charter-mandated activities are not subject to taxation. Federal and local budgets will also provide a subsidy to trade union-run educational institutions in an amount not less than 50 percent of

their expenses. Trade unions have a right to monitor compliance with laws regarding privatization of state-owned and municipal enterprises and facilities which perform social functions.

If the draft survives a second and third reading without significant amendments, then all legislative acts pertaining to employees' job-related and socioeconomic rights and interests will be considered by federal governmental bodies only after presentation of findings by the affected Russia-wide trade unions. Trade unions will also receive the right to take part in development of the state's employment policy. In addition, when an enterprise or a structural subunit thereof is liquidated or its form of ownership changed, negotiations will have to be conducted with trade unions regarding protection for workers' rights and interests.

Excerpts from the Draft Approved on a First Reading

- Funds received for the purpose of performing charter-mandated trade union activities and spent for purposes specified in the charters of trade unions or associations thereof are not subject to taxation.
- Financial activities carried out by trade unions in accordance with their charters is not under the control of and does not require reporting to state organs.
- Protection for trade unions' property rights is guaranteed, as is the protection and inviolability of their property.

Yasin Reports on Investment Policy

954F0404A Moscow *SEGODNYA* in Russian
19 Nov 94 p 10

[Article by Yevgeniy Yasin, Minister of Economics of Russia: "How to Get Out of the Financial Trap"]

[FBIS Translated Text] [Begin boxed material] Yevgeniy Grigoryevich Yasin is one of the most authoritative Russian economists. He worked at the NII TsU [Scientific-Research Institute of the Central Statistical Administration, TsEMI [Central Economic-Mathematical Institute], and the USSR Council of Ministers State Commission on Economic Reform. He is the organizer and director of the Expert Institute of the Russian Union of Industrialists and Entrepreneurs. He is one of the main ideologists and developers of all the major reform programs, including the programs of Yavlinskiy and Gaydar.

In the Fall of this year, the 60-year-old Yasin was appointed head of the Analytical Center under the president's administration. Shortly before his appointment to his new post—Minister of Economics—Yasin spoke at a meeting of the reform club "Vzaimodeystviye" [Interaction] with a speech about the problems of investment policy, which we present for the attention of our readers. [End boxed material]

The basic principles of the medium-range draft program for development for 1995-1997 do not comprise a program as such, but rather its conception, and moreover a working variant of it. It is built on the premise that one stage of reformation of the Russian economy is ending, when the problems of macroeconomic policy (struggle with inflation) were the focus of attention, and a new stage is beginning, when structural-investment policy and institutional transformations are coming to the forefront. But the main thing is the structural-investment policy. There are definite reasons for this. I will cite only two of them, but in reality there are many more.

One of them is that the capacities of the orthodox macroeconomic policy have to a significant degree been exhausted, and we find ourselves today in a financial trap: We cannot raise taxes any more, and state budget expenditures are subject to reduction with ever greater difficulty. The policy which was implemented this year bore a courageous and very unique character. There were many promises, but they gave no money (this differs somewhat from the policy of the Gaydar government, when they said that they would not give money, but did). Ultimately, the current government changed its policy. And this is why the ruble has crashed today, and inflationary expectations have once again risen. When I say that the traditional means of macroeconomic policy have exhausted themselves to a significant degree, I am certainly not implying that they need no longer be applied. It is clear that we may continue to move ahead only if certain mechanisms facilitating stabilization, and then also revitalization of the Russian economy, begin to operate. I am convinced that the support of the existing production structures which are incapable of surviving independently is not justified in most cases, and only prolongs the crisis. The problem of stabilization is the problem of uplift and development of a new sector—the private sector. Privatized viable enterprises may at first compensate for the decline in non-viable sectors of the economy, and then create a situation under which the forces of growth will overcome and surpass in might the forces of decline. To expect that we can support and revitalize everything that we have created (including much of which we are proud) is practically impossible and unpromising. Today we may begin to talk about individual sectors and priorities, but I am not ready to speak about them with the exception of specific cases, which prove little.

At the present time, we must think first of all about investments. And not so much about their volumes as about their effectiveness. State investments (from the federal or local budgets) which we can expect, as a rule, are ineffective. One might object that this is not always true. But in most cases (both in the Soviet time and today) these investments were ineffective. They serve more to feed inflation than to give the effect which is expected of them. However, to insist that the transition to a new phase, a new stage of reform, in which the structural-investment policy emerges at the forefront, and that in this case the reflection of the given transition

must become the increase in state investments from the federal budget—is useless. I will note one other circumstance. Investments of state or privatized enterprises, which at the present time are the main investors, are less effective than those investments which come from the state budget. At the same time, investment famine, which has existed in the country for a number of years now, also has its positive aspects. We conducted an analysis of the textile industry and found that the enterprises which have the best financial position and are staying afloat during 1993 ceased making production investments. Their managers say that this is ineffective. In other groups of enterprises—outsiders and those in the middle—there are investments of the old type. Here they rarely stop to think about how effective this is, and whether it would be better to put the money in the bank.

The deep investment decline which is taking place contains a rational kernel: It leads to a new type of investment, a different form of reproduction, for which a higher effectiveness will be characteristic. This process not only cannot be put off for long, but it must take place rather intensively. Private investments are the most effective. They are under the control of people who are risking their capital and are vitally interested in obtaining high returns. Therefore, we must place the stake on private investments. In response to this conception, a publication has appeared in the press regarding the fact that private investments will not save us because they do not exist, that there is little money, that state investments are needed, and that we cannot do without the state. This is explained by the fact that there really are few private investments. And the main thing is that the risk associated with these investments is very great. Only now is the process beginning when relatively small savings are being transformed into investments. The banks and financial institutions which arose in recent times and which are the main holders of private capital could have high earnings from inflation, from financial operations, and from preferential credits. Now, however, when the rates of inflation are declining, the time is coming when we should stop and think where to find work for this capital. Otherwise, it will not only not bring any income, but will also evaporate. Especially since this capital is primarily monetary.

Privatization has not gone so far as to place real assets in sufficient scope in the hands of private capital. This process is very difficult. If we let events develop by their natural means, then our economy will be in danger of creeping into a prolonged depression, which will lead to severe consequences. Therefore, my position consists of the fact that the state must see as the primary direction of its investment policy the support of private investments. Which also means state investments, but in other forms, on conditions of shared risk in the form of share participation, granting of state guarantees for certain investment projects and other methods (some of which are indicated in the last presidential edict, "On Private Investments").

There are certain types of investments which no one will make except the state. For example, the construction of electrical power plants, the creation of the infrastructure, construction of roads, etc. Private investors throughout the world are not eager to engage in this, because long-term investments in such facilities pay for themselves over a very long period of time. This is particularly characteristic for private capital under our conditions, when the situation has not yet stabilized. State investments are needed for this. Although I am convinced that at the present time we do not have the opportunity for investments in such objects in full volume, nevertheless the minimally necessary share must be allocated for these purposes. Today there must be one single criterion—this is maximum effectiveness. Because, from the standpoint of market effectiveness, maximal profits stimulate the investor. He continues his investment activity, secures himself in a certain sphere, and begins thinking not only about control and operations on the stock market, but also about control over production, over its increased effectiveness, about management, etc.

The priorities which we previously presented (agriculture, the APK [agro-industrial complex], VPK [military-industrial complex], conversion, etc.) not only impose limitations on the effectiveness of investments, but also on the possibility of increasing the income of investors and budget revenues, on the fastest possible achievement of reliable financial stabilization, and on the intensification of the investment process in the future. That is my position. I will add that, although we have accumulated insufficient investment resources, nevertheless there is something for a start. According to the most modest estimates, the capital of Russian entrepreneurs and bankers comprises around \$20-\$30 billion. Other countries have started with less. Moreover, the Russian population is exhibiting a rare tendency toward savings under such conditions. We must make use of this and seek the appropriate forms. It is time to think about how, with the aid of the government, we can attract the savings of the population (which is successfully being done by "MMM" and the "Russian Selling House") in investment institutions, which are capable of become effective institutional investors.

Unfortunately, we do not have a great choice, and we must do everything possible to attract foreign capital. When this capital begins flowing into the country, real, and not potential, problems associated with its penetration into the Russian economy will arise, and then we will have to regulate something. For the present time, this is not happening. According to various estimates, for the present day foreign investments in Russia comprise from \$2 to \$4 billion. Approximately the same sum is invested by Western capital into the economy of Estonia. It is true, today they are speaking about a boom in the stock market, about the fact that about ten foreign companies are buying up stock in ten Russian enterprises. Rather large sums have already gone into circulation. However, I do not believe that this is that swallow which is capable of making it springtime. These are

merely the first indications, which have their own dangerous moments. The government must undertake everything possible to stimulate foreign investments and create a favorable investment climate here. At least in those directions which are accessible to the authorities. For the present time, this is not being accomplished. Yesterday the government decree, "On Stimulating Foreign Investments," was issued. This is an example of bureaucratic chicanery. Absolutely everything has been leached out of it, even those positive things which were placed in it from the summary materials of the meeting of the Consultative Council on Foreign Investments: Limitation of the sphere of application of the tax on the difference in the exchange rate; repeal of dual taxation on NDS [value-added tax] on financial operations. The presidential edict of last September on foreign investments has also not been brought to its conclusion. In it, foreign investors were granted the retention for a period of 3 years of the rights existing at the moment of conclusion of the contract (such standards are present in Ukraine, Kazakhstan and other CIS countries). However, for the Minfin [Ministry of Finance], tax legislation is higher than the edict of the president. It is necessary to adopt a specific law or to take other steps, but we cannot retain the existing situation. This is true also of the sphere of stimulating private investments. Today the government has good intentions, but there is an inter-departmental struggle going on. And the matter is at a standstill, which is very dangerous, because time does not wait. And until an ascending sector emerges, and this may occur only with the aid of those means about which I spoke, the decline will continue. The weakening of the monetary policy and state investments at the expense of inflation will not lead to anything.

Role of CIS Monetary System Agreement Examined

954E0217A Moscow *BIZNES I BANKI* in Russian
No 47, Nov 94 pp 1-2

[Interview with Yuriy Anatolyevich Konstantinov, doctor of economic sciences, chairman of international working group and deputy chairman of board of experts of Interstate Savings Bank, by *BIZNES I BANKI* correspondent; date and place not given: "The CIS Payment Union Is a Reality"]

[FBIS Translated Text] The agreement to form the CIS Payment Union was signed in Moscow at a meeting of the Commonwealth heads of state on 21 October this year. Doctor of Economic Sciences Yuriy Konstantinov, chairman of an international working group and deputy chairman of the Interstate Savings Bank Board of Experts, told a *BIZNES I BANKI* correspondent about the content and implications of this document.

[*BIZNES I BANKI*] How would you define the CIS Payment Union?

[Konstantinov] According to the agreement it can be defined as a voluntary association for the purpose of securing uninterrupted settlements by assuming the

mutual convertibility of national currencies and establishing a payment system on this basis. The agreement is multilateral and intergovernmental in nature, but it is not directly applicable. It will be implemented through a set of bilateral agreements, because it does not seem possible at this time to set up a multilateral system which would take all of the distinctive features of the internal currency laws of these countries into account.

[*BIZNES I BANKI*] How would you explain the willingness of the parties to sign an agreement on a payment union despite the increasing alienation of the CIS states and the institution of their own national monetary systems? Is this premature? Why not just organize an effective system of bilateral settlements for the time being?

[Konstantinov] It is true that when the countries of postwar Western Europe were in a comparable position, they did not even think of forming a payment union right away, because many of their national currencies were not convertible and were "soft" at that time. The first thing they did was to sign bilateral intergovernmental agreements on mutual settlements. Those agreements remained in force for around five years, and it was not until 1950, when the possibilities for these settlements had been exhausted and the currencies of the West European countries had grown stronger, that these countries decided to form a payment union. Now the situation is different. There is an urgent need for integration, and countries in many parts of the world have made this choice. The states of the CIS, however, were part of a single national economic complex, representing a form of super-integration, until just recently. Today everyone can see that the severance of their economic ties is the main reason for the decline of production and all of the ensuing socioeconomic consequences. That realization facilitated the establishment of the Interstate Economic Committee (MEK), endowed with substantial powers. It was put in charge of the administration of facilities and spheres of a transnational nature: power-engineering, transportation, and communication systems, gas and oil pipelines, and facilities owned jointly by the states.

On the other hand, the importance of payment unions should not be overestimated. After all, they are not the same thing as monetary unions—integrated organizations requiring the proper set of prerequisites for their establishment. The payment union does not require any special unifying conditions. It is only a system of specific settlement (monetary) procedures and the credit relations corresponding to them. At the beginning of the 1990s around 110 states in the world belonged to 15 different payment unions. In most cases, the countries that formed the unions had non-convertible currencies, inadequate hard currency reserves, and little foreign trade, because their goods were not competitive by world standards.

[BIZNES I BANKI] Does the CIS Payment Union meet the standards of the contemporary world financial and banking community?

[Konstantinov] Yes, to a certain extent. Suffice it to say that the agreement stipulates that settlements will be made between economic entities according to the conventional procedure—i.e., in a decentralized manner, without any excessive intervention by state officials, through commercial banks and currency markets, using the market exchange rate, with reliance on a single exchange rate for all types of foreign economic operations. Central (national) banks do not qualify as commercial banks in this context.

As a specialist, however, I have to say that these standards are in effect in world practice today in what is known as the single-currency type of payment system, based exclusively on the use of freely convertible currencies and not permitting the use of non-convertible currencies in international settlements, not to mention "soft" currencies like the ones in the CIS today.

When we drafted the agreement on the payment union, we proceeded from the knowledge that currency markets, however weak they might be, had been established in Russia and other CIS countries as part of the market reform there, and that the internal convertibility of the ruble and other national currencies in relation to the U.S. dollar had been instituted. Commercial banks and their clients had already adapted to this market environment to some degree. It was the commercial banks that took the first steps toward integration in this sphere. The ones that were most prepared for this have been successful in general in using "soft" currencies as convertible resources. They conduct settlement, stock market, and exchange operations in these currencies. It is true that there are still too few banks of this kind. In Russia, for example, there are just over 10, although around 600 banks have regular and special currency exchange licenses.

The willingness of banks to conduct these operations is a particular problem. Its resolution does not depend only on the banks themselves. The unpredictability of exchange rates creates the definite risk of financial losses. For the avoidance of these losses, so that the new payment system can operate normally, the agreement stipulates that the parties will develop their national currency markets by allowing non-resident banks access to them. This will permit the subsequent establishment of a unified currency market. To that end, the parties will also coordinate measures to maintain the stability of the exchange rate of their national currencies. The states belonging to the payment union will allow their economic entities to choose the national currencies to be used as means of payment. A participant in the payment system with monetary resources in the national currency of another participant will be free to dispose of the money through the internal currency market of the other participant. All members intend to secure the liberalization of procedures for the exchange of surplus funds in

non-resident accounts for their national currency. For the purpose of eliminating the nonpayment problem in the CIS, the members of the payment union will facilitate the international circulation of payment drafts, using the possibilities of multilateral clearing operations through the Interstate Bank and through other specialized institutions. This will be an important step in the development of market relations in the monetary sphere, which will establish the prerequisites for the actual use of national currencies as convertible resources. It is common knowledge that the present state of the currency markets in many CIS countries leaves much to be desired.

The agreement to form a CIS Payment Union stipulates that the parties will not allow any restrictions whatsoever on the acceptance and use of currencies as means of payment in trade and non-trade operations. Members will pledge to establish the kind of rules of state foreign trade and currency regulation that will promote the development of a full-scale liquid currency market in each state. When economic entities negotiate contracts with one another, they will be free of administrative restrictions on the type of currency to be used as payment. We can only hope that the payment union will eventually result in the establishment of a civilized market model of payment procedures.

[BIZNES I BANKI] Will there be any changes in the roles of central and commercial banks within the framework of the Payment Union?

[Konstantinov] Commercial banks will play a more important role, of course. They are the main operators in the currency market. They will also play the leading role in organizing settlements in national currencies through correspondent accounts. Settlements will also continue to be made through the correspondent accounts of central banks, because centralized shipments made in accordance with intergovernmental agreements still constitute a large share of reciprocal trade. Because enterprises wholly or almost wholly owned by the state—particularly in power engineering, metallurgy, and machine building—still dominate the economy and the exports of many CIS countries, agreements between central banks envisage two types of settlements: decentralized and centralized. The role of the latter is being diminished by the liberalization of foreign trade. Around 95 percent of all payments in the CIS are now being made through commercial banks.

[BIZNES I BANKI] How will remittances to citizens be handled?

[Konstantinov] This has been complicated by the failure of the CIS countries to conclude the appropriate agreement. The guaranteed conversion of national currency into the currency of other states belonging to the payment union will now apply to non-trade payments of a social nature: pensions, alimony, state subsidies and supplementary and compensatory payments, including workers' compensation grants for victims of industrial

accidents, occupational diseases, or other health impairments, court-ordered payments, death benefits, compensation for vindicated victims of political repression and their heirs, and others.

[BIZNES I BANKI] What function will the Interstate Currency Committee perform?

[Konstantinov] It will be the agency administering the payment system on the international level and coordinating currency policy. It is expected to assist in the establishment of standard principles of currency regulation and the coordination of the standards and provisions of currency legislation in the CIS countries.

I would also like to state my own opinion that the system for the administration of currency and credit relations on the international level should have a lower level in addition to the upper level reserved for the Interstate Currency Committee. It should be occupied by a group of commercial banks, serving as members with a voice but no vote. It could be called the International Council of Commercial Banks of the Interstate Currency Committee and could help the committee draw up legal instruments for the implementation of the fundamental principles of the Payment Union, express its own opinion of the situation in relations between participants in the new payment system, and propose ways of resolving conflicts and problems.

An International Association of Commercial Banks of the CIS Countries might also have to be established in the future, and an agreement could be reached on the establishment of an International Clearing Center, using the latest scientific and technical achievements in banking. After all, someone will have to conduct multi-lateral clearing operations in the commercial sector of the banking system and help participants conserve their payment resources.

[BIZNES I BANKI] Yuriy Anatolyevich, you headed the group of experts who drafted the agreement on the Payment Union. Does the agreement include all of the recommendations of your group?

[Konstantinov] The draft does not include several provisions of fundamental importance, in my opinion, which were discussed by the working group but were not approved. They include the advisability of the participation of central banks in settlement operations along with commercial banks on the basis of currency exchange operations; the possibility of forming an international foreign currency exchange, which would help in establishing a unified CIS currency market; the need to set limits on fluctuations in currency exchange rates, and the authorization of central banks to practice currency intervention if these limits are exceeded; the advisability of granting non-residents access to national securities markets. I have to admit that these are complex and controversial issues and should be discussed in the new agencies after the agreement on the Payment Union goes into force.

[BIZNES I BANKI] Is there any reason to believe that the Payment Union of the CIS states will have broader international significance?

[Konstantinov] I think there is. By its very nature, after all, it represents an international payment consensus, and if this is the case, then why should it not be joined by the countries that once belonged to CEMA, for example, or the former Yugoslavia and China, where businessmen want reciprocal payments for trade operations to be made in national currency so that they can conserve their scarce hard currency, especially in view of the fact that the wishes of these countries could be taken into account in bilateral agreements.

All of this, however, will depend mainly on the success of the CIS states in implementing the agreement on the Payment Union. The experts who drafted the document are naturally certain of the union's viability and value. To a considerable extent, this will depend on the political will and desire of states to integrate their national economies.

TRUD Views Western Reporting of Komi Oil Spill

954E0228A Moscow TRUD in Russian 22 Nov 94 p 2

[Article by V. Khatuntsev: "The Big Spill"]

[FBIS Translated Text] *TRUE, IT IS NOT REALLY KNOWN WHICH WAS THE BIGGER SPILL—THAT OF OIL OR UNCORROBORATED INFORMATION*

As it used to be in the recent past, we find out about significant events in the life of our country from the outside. In the past, however, it was easier to refute various rumors and fabrications and even real evidence: everything was supposedly evil disinformation from the West in line with the uncompromising "cold war." Today, with a warming in the political climate, it is sometimes necessary to puzzle over the evidence before one can get to the essence of the matter. The causative links, however, frequently remain hidden. The latest most vivid example of this is the story with the pipeline oil spill near Usinsk.

It all began with an information leak which appeared in the sensational article in THE NEW YORK TIMES, in which, referring to a press conference in Washington, the scale of what happened was exaggerated to 270,000 tonnes of spilled oil mixed with water. A figure is lifeless, but you can imagine a train with tank cars loaded with fuel. Considering the maximum 50-car train, we come up with around 80 trains. It is not even necessary to have a vivid imagination in order to imagine such a torrent of this especially aggressive raw material that spilled out of the oil pipeline which both burns and poisons.

Very soon after the appearance of the article in THE NEW YORK TIMES all Russian television channels reported the major ecological catastrophe in the Komi Republic. The announcers specially emphasized the

maximum amount of the spill while the American side carefully disregarded the minimum of 14,000 tonnes.

What did actually happen? Let us turn to the primary sources.

Yevgeniy Grunis, minister of industry, transport, and communications of the Republic of Komi. On 1 October the dam around an oil pipeline, which was damaged back in February, burst as a result of heavy rains and around 30,000 tonnes of oil spilled out. By 4 October the dam was repaired and the consequences of the accident eliminated.

Valentin Leonidov, president of KomiTEK Oil Company. In his opinion the commotion suits the western companies which are participating in the development of Timan-Pechora basin and would like to construct the future oil pipeline through a port on the Barents Sea. The scandal occurred very conveniently at the time of final negotiations about transportation of oil from Pechora fields to the maritime terminal.

Aleksandr Kumylganov, vice president of the Transneft Company. According to him the accident must in no way cast doubt on the state of the main Russian pipelines. The Transneft Company has no connection with the peripheral Usinsk pipeline, and if safety is to be mentioned, the accident rate is steadily declining specifically on the trunk pipelines: in ten months losses of oil amounted to only 439 tonnes, or 0.05 percent per 1,000 kilometers of oil pipeline.

It is possible to cite another dozen versions and interpretations of the Usinsk incident, right up to the assumption of industrial espionage, even though, in my opinion, all of the secrets have been sold so long ago and so cheaply, that they are no longer of any interest. Nevertheless our "green" lads from Greenpeace joined their international coordinator and travelled to the site. After returning Paul Horsman held a press conference on 8 November. The small hall of the Russian-American Press Information Center could not accommodate all those wishing to attend, and most of those attending, by the way, were western correspondents. It got to where questions were being asked in English. At that point even the Japanese became confused and requested interpretation.

The question arises—just what is it that so disturbs the Western media? How soberly and clearly will it evaluate all of this hullabaloo?

There is no doubt that an accident did occur. It is also possible to believe Eduard Gismatulin, leader of the Russian Greenpeace expedition when he states that he walked up to his knees in oil. Fish are floating belly-up in the Kolva River. Pechora could suffer serious damage.

Paul Horsman accepted estimates of the spill at 13,000-15,000 tonnes, stating that it was a catastrophe of international magnitude and that the pipeline ought to be closed. More than that, all of the western companies,

having relations with Kominneft, must invest funds for rehabilitation, or simply put, for the elimination of the consequences of the environmental pollution. It is true that no one has responded so far.

A video recording was shown at the press conference. Burning oil, consuming everything in its path, the earth burning like gunpowder. It was frightening.

At that same time, as if planned, a motion picture called *Sibiriada*, about the discovery of Tyumen oil, was being shown. A gigantic fire in a mine served as proof of its existence, which was not a fabrication but a reality of the sixties. But what is a riddle is that, just as before, we are finding out about catastrophes from strangers.

Yesterday ITAR-TASS reported that around 10,000 cubic meters of oil-polluted ground together with ice was removed from the site of the accident along the pipeline below Usinsk, including more than 6,000 cubic meters in the past week. Work is being conducted around the clock. A force of about 70 people is involved in the operation. Additional personnel and equipment are being moved to the accident site from other subdivisions of the Kominneft joint-stock company.

Urengoy Super-Deep Well Drilling Delays Cited *954E0228B Moscow TRUD in Russian 22 Nov 94 p 2*

[Article by Yu. Morozov: "Super-Deep Well At Urengoy. Why Is Drilling of the Unique Well Delayed"]

[FBIS Translated Text] The hydraulic drill at the super-deep well site stopped at the seven-and-a-half kilometer mark and work began on lowering the pipes.

Arriving at the Novourengoy well, I expected to see a familiar picture: the borehole, and nearby several converted railway cars used for housing. Reality, however, turned out to be far richer and more interesting. The 70-meter rig structure is covered in metal with shop buildings adjoining it. The personnel live with their families in two-story Bama type housing. Some are here permanently, while others fly in from as far away as the Crimea when necessary. Travel expenses and per diem are covered in full, as they say, from door to door.

The boiler room, the electric power station, and other similar facilities are located close to each other. In other words, there is a complete, almost independent complex of support and production facilities. By the way, the local high-capacity machine shops, which also produce many items on order from their neighbors in Urengoy, are helping to keep the geologists afloat. They take no money since neither the geologists nor their neighbors have any. Barter rules apply involving fuel, materials, anything that is used in the work.

We walk across the stilled borehole area together with the chief technologist of the expedition. Yaroslav Atanko talks with animation about day-to-day work and concerns, about what went well, and what did not. The drill

used for the super-deep drilling was custom made at Uralmashzavod. New alloys were invented for the pipes, since conventional steel ones crumpled like paper at such depths.

At one time, back in the former USSR, the Ministry of Geology worked out a program for comprehensive study of mineral resources with the aid of super-deep drilling. The Novourengoysk well occupied a special place in that program and the Tyumen expedition was organized on its basis.

Now just one more kilometer has been left to reach the planned depth of the Novourengoysk Super-Deep Well. Drilling, however must not stop. There is the decision made by the collegium of the Ministry of Geology of Russia to carry on this work until the so-called sedimentary mantle of the base of Western Siberia is uncovered—that means another kilometer or two of drilling.

Results yielded by the drilling have already provided the scientists with a considerable amount of source material for analysis. Aleksandr Dikovskiy, chief geologist of the expedition, has told me that data produced by the drilling are being carefully studied at domestic and foreign laboratories and the Novourengoysk Super-Deep Well is considered to be setting a standard for this region. Presently a new exploratory stage of work must start, the purpose of which is to find new industrial reserves of hydrocarbon raw materials.

The super-deep well at Novyy Urengoy, however, is not experiencing the best of times. The collective remained idle for around two months this summer as there were no funds to purchase block-and-tackle cable. I will explain that despite its rather simple name, it is far from a simple item. Hundreds of tonnes of drilling equipment is suspended on block-and-tackle cable, therefore any type of material will not do and a special material is required.

The instruments have also worn out. At one time they were received from Kiev, now that is "abroad." The well has reached a great depth, where the temperature exceeds 200 degrees and the old instruments just do not work. The principal difficulty, of course, is financing. Part of the money is provided by the Ministry of Geology, and part by the Ministry of Fuel and Power Engineering, but there is still a shortage of funding.

The expedition concluded an agreement with Gazprom, and is pinning great hope on this powerful joint-stock company. The search for hydrocarbon raw materials is becoming an increasingly more expensive and science-intensive production endeavor and it is high time to take this into account "at the top" and not allow geology to drag out a miserable existence. After all, the geologists peer into the past, but work for the future and miners cannot survive without their predictions.

POLITICAL AFFAIRS

Crimean Soviet Chairman Mans Hot Line

954F0412A Simferopol KRYMSKIYE IZVESTIYA
in Russian 24 Nov 94 p 2

[Responses by Sergey Tsekov, chairman of the Supreme Soviet of Crimea, to questions called in by residents over special hot line set up by KRYMSKIYE IZVESTIYA: "Speak, I Am Listening!"]

[FBIS Translated Text] Last Friday, KRYMSKIYE IZVESTIYA organized and conducted a "hot line" to Chairman of the Supreme Soviet of Crimea Sergey Tsekov. We thought that there would be many calls, but we never thought there would be this many... About 30 people were able to get through on the overloaded line, and then they tried calling almost all day, although the guest was in our editorial office for only an hour and a half. We must note that our departmental ATS [automated telephone station] has one peculiarity: If there is an intercity call in progress and our telephone is busy—we hear beeps, while the caller hears a signal as if no one is picking up the receiver. Therefore, for the entire time we know there were even more people who wanted to talk to the head of the Supreme Soviet.

Some people sent in their questions ahead of time, and Sergey Pavlovich answered them. Some callers asked very specific questions about heat and power supply, water, etc. We forwarded these to the Crimean government according to their designation.

Many questions concerned the decision adopted the previous day by the Supreme Soviet of Ukraine regarding Crimea. Sergey Pavlovich answered them, but in preparing the materials for publication we received somewhat more detailed responses.

V. I. Zuykov, Simferopol Who is at fault from our side in such decisions by Ukraine? And what if we do not have a republic?!

[Tsekov] The question of eliminating the republic does not stand. It exists and will remain forever. It is another matter that difficult relations are being formulated with the Supreme Soviet of Ukraine, and on the whole with its leadership. However, I believe that we will find the capacity to regulate all the contradictions that have arisen. And the decisions of the Supreme Soviet of Ukraine are unjustifiably harsh, not well thought out. They in no way facilitate stabilization of mutual relations between Ukraine and Crimea, and on the large scale—between Ukraine and Russia.

[Zuykov] What do you plan to do, retreat?

[Tsekov] No, no one intends to retreat. Only here we must exhibit not only spiritual strength, but also reason. We ourselves must not facilitate the deepening of this conflict. And it was specifically in this direction that we have worked over the period of the last two months.

[Zuykov] And how will the question with Sevastopol and the Black Sea Fleet be resolved—can it be that it will once again be without the Crimeans?

[Tsekov] Recently, parliamentary hearings were held in the State Duma on this question, and, I might add, with our participation. V. Mezhak spoke there in the name of the Supreme Soviet of Crimea and expressed our firm position: All questions that concern Crimea must be resolved with our most direct participation, including those associated with Sevastopol and the Black Sea Fleet. The result must be expressed in a treaty between Russia and Ukraine, which is being developed at the present moment.

[Zuykov] And who is hindering its adoption?

[Tsekov] The hindrance is bilateral—there are many principles that have not yet been coordinated.

[Zuykov] And one more question: KRYMSKIYE IZVESTIYA published a list of the members of the governmental control commission. We are very indignant about the fact that Franchuk appointed V. Shevych as its chairman! Control must be independent—L. Grach speaks correctly!

[Tsekov] Without going into personalities, I will say that I agree with Leonid Ivanovich's opinion, which he expressed in the newspaper.

[Zuykov] Well, all the best to you. I wish you success and—not a step backward!

I. Yefimov, Simferopolskiy Rayon Why were you or the president not present at the meeting of the Supreme Soviet of Ukraine—were you not invited?

[Tsekov] I was invited, along with the entire Presidium—although to an earlier meeting. However, our point of view was fully reflected in our statement, and I support it. Our delegation headed by A. Melnikov was present at the meeting. With consideration for that complex situation that is being formed in Crimea, we thought that I was needed more here. The Crimean delegation stubbornly defended our point of view. But, as you see, we cannot call the results satisfactory.

Yu. A. Yevpak, Simferopol What course will you take after this decision by Ukraine?

[Tsekov] There are several variants, but at present it is a bit early to deal with this in detail.

[Yevpak] Will you remove the moratorium on the referendum?

[Tsekov] I do not exclude that. But for now we do not have such a possibility.

[Yevpak] May I ask another question: Did Meshkov begin working for Ukraine right away?

[Tsekov] You must ask Yuriy Aleksandrovich himself about this! I cannot give answers to such questions...

P. L. Leonov, Simferopol Will the question of dual citizenship be resolved? What is Russia's attitude toward this? They say that special certifications will be issued...

[Tsekov] At the parliamentary hearings in Moscow, where questions of concluding a Russian-Ukrainian treaty on friendship, cooperation, and partnership were discussed, this question was raised by our representative—V. Mezhak. We hope that the opinion of our delegation will be taken into consideration and that in the treaty between Russia and Ukraine this question will be resolved in a positive manner both for Ukrainians living in Russia and for Russians living in Crimea.

As for the possibility of obtaining passports or certificates that confirm Russian citizenship, this question is also being discussed, and we cannot exclude the possibility that in the nearest time there will be a temporary consulate of the RF [Russian Federation] in Crimea. As you know, we have adopted the Law on Dual Citizenship in its first reading. Why are we putting off its second reading? First of all in connection with the difficult domestic political situation and the significant deterioration of our mutual relations with Ukraine. However, we will necessarily continue negotiations on this matter, and I hope that the problem of dual citizenship for Crimean residents will necessarily be resolved.

[Leonov] But is it true that Ukraine opposes the resolution of this question?

[Tsekov] Yes, this corresponds to reality.

Ya. O. Barkov, Simferopol On what principles was the Supreme Economic Council under the Presidium of the Crimean Supreme Soviet formulated? I would like to participate in its work and sent a proposal addressed to you, but I was not included in its complement...

[Tsekov] In selecting the membership of the VES [Supreme Economic Council], we took into consideration the interests of the various sides—its complement includes practitioners as well as scientists. It was formulated, as you understand, not by the Chairman of the Supreme Soviet, but by the presidium. A commission on economic and budget-finance policy was working. However, the list is not closed—recently we introduced a number of new people.

L. P. Tishchenko, Simferopol You know, I am very painfully affected by the television presentations of the journalist T. Korobova. I understand about freedom of speech, but one cannot, after all, speak so scornfully about one's people! After all, she is an adult. We must understand that one simply cannot do this! What has the Supreme Soviet done to put an end to this disgrace?

[Tsekov] I will pass on your opinion to Tatyana Korobova. But you must understand that we are building a democratic society, and if we speak from this position, then different points of view must be present in the press and in the broadcasting. However, you are right about the fact that journalists must be more correct. The

journalist himself cannot sense the scope of this—this must be pointed out to him by the professionals in that mass media where he works. From our side, we adopted a number of decisions regarding the SMI [mass media], but unfortunately, not all of them have been implemented to the end. But we will necessarily return to this problem.

[Tishchenko] We are watching the sessions very closely. We know many of the deputies, and we know who is worth what. We are indignant at the fact that they too are sinking to insulting the people. Pass that on to them! And one more question: How are your mutual relations today with Yu. Meshkov—is there at least a slight warming? We want very much for everything to be calm and peaceful here in Crimea...

[Tsekov] Our relations at the present moment are difficult, but I promise you that I will do everything for my part to see that these mutual relations are normalized.

V. A. Antonov, Simferopol First of all, thank you for the "hot line"—they should be introduced into regular practice. We need communication with you...

[Tsekov] Good, I accept. Thank you.

[Antonov] Here is my suggestion: Can we introduce into the agenda of the session the question of Crimea proclaiming itself the first unit of the new Union? After all, this is so simple! Do you personally agree with such a proposal?

[Tsekov] I accept it. I will say that for the last two to three months we have discussed the variant of our Supreme Soviet's adoption of some decision that could serve as the beginning of unification of the Union that we lost. For example, we had the presupposition of denouncing the Belovezhskiy Treaty.

A. I. Salnikova, Simferopol Look at what lawlessness is going on everywhere! In the house it is only two days that it has been warm, in the villages only half the fields are sown, and the government has stifled the parliament. What have we come to?!

[Tsekov] I sense in full measure my responsibility for all that is going on in the peninsula. But I also want you to understand: All that the Supreme Soviet has done was dictated by the situation. This is not a struggle for power or for a reorganization of property, as is often said. We have a great desire to bring about order in Crimea, but we have found ourselves in a most difficult position—and not because we made some mistakes, although there were some. We have inherited a difficult legacy. I can assure you that we will work much—as much as is necessary.

[Salnikova] I would like to note that there is even lawlessness going on in the parliament itself: We know which deputies are pulling us where...

[Tsekov] In principle I will agree with you—not all the deputies understand that they are in full view of all of

Crimea. They do not always control themselves in their remarks and use the tribune of the Supreme Soviet for settling personal accounts, and they should not do this...

[Salnikova] Tell me, what are we doing, building capitalism? That is what R. Chubarov said on TV. Personally, I do not want any capitalism, and my children do not want it either!

[Tsekov] That was his personal viewpoint.

S. V. Belkov, Simferopol We have hatched a multitude of ministries and state committees, but no one controls the increase in prices, and lard already costs 150,000! Where is the Committee for Social Protection? Can we somehow bring trade into line?

[Tsekov] You do understand that the decision to raise prices was adopted in Ukraine, and we are in a unified economic space. Whether we like it or not, we have to follow its decisions, or they will take everything away from us. But the Ministry of Social Protection is working on these questions. Last Thursday at the meeting of the government, for example, the question of the price of bread was discussed—we were able to make it somewhat lower than in Kiev. However, the number of bureaucrats will not increase in the nearest time—this was clearly stated by A. Franchuk at this same meeting of the government.

[Belkov] We become convinced that we in Crimea do not need the presidency! Better to direct the money that is spent on his support for protection of the people! That is what most people believe!

[Tsekov] This decision must be made by the entire Supreme Soviet—all the powers and authorities on formulating the organs of power in Crimea are in its hands. I will say that there is no singular opinion among the deputies. Some believe as you do, while others say that presidential power must be retained. But, evidently, a final decision will be adopted in the next six months. However, we must remember that any political decision often has a negative effect primarily on the economy.

K. Ye. Yurov, colonel Will the question of paying pensions to retired persons in Russian currency be resolved? Place this question before the RF State Duma!

[Tsekov] This question is a very complex one. We have only begun working on it, and I cannot yet give you a definitive answer. Here much depends on the position of Russia and Ukraine and, unfortunately, very little—on the position of Crimea itself. In the State Duma, this question was discussed in commissions. And when I was in Moscow, I raised this question.

[Yurov] Will the Crimean delegation participate in the talks between Yeltsin and Kuchma?

[Tsekov] We are always insisting on this, but as yet there is no agreement, primarily on the part of Ukraine.

Ye. G. Silkov, Kirovskiy Rayon Are you planning to hold any meetings in the rayons and cities? If you cannot—then let your aides come! Because we voted for our deputy, but he never meets with the public, and there are many questions.

[Tsekov] It is rather difficult for me to hold such meetings, I do not have time to go everywhere. Nevertheless, I am planning to hold them. Perhaps it makes sense to control the holding of meetings of deputies with voters. I will also try to see that my deputies are more active.

V. I. Makarova, Saki It has already been three years since the day of the seizure by the Crimean Tatars of the multistory building in Saki. Will the building be returned to its lawful owners?

[Tsekov] These questions are resolved not by legislative power, but by the judicial organs. Personally, I believe that the court must implement a very harsh line on arbitrary seizures: If we do not curtail them, they will provoke new actions, and it is the people who have been on the waiting lists for decades that suffer. However, we cannot influence the decision of the court.

A. Karal, Lenino Our rayon has been left without lawful authority, since the former chairman of the rayispolkom [rayon executive committee] submitted his resignation to Meshkov, and the rayon soviet did not vote on a new one, since he was appointed by edict of the president, which was subsequently rescinded by the Supreme Soviet. But the session must even relieve the former of his duties! Does anyone monitor the implementation of Supreme Soviet decrees?

[Tsekov] Here we must act in accordance with the effective legislation: to elect a new ispolkom [executive committee] chairman. With consideration of the fact that Tseunov is a deputy of the rayon soviet, and if the deputies express confidence in him, that means he will work there lawfully as chairman. In the next 10 days, representatives of the Supreme Soviet will go there and get to the bottom of the situation on site.

I. L. Andreychuk, Alushta The decree of the Supreme Soviet of Crimea dated 28 September set aside 18 hectares for construction of a microrayon. Five hectares of forest have already been cleared, but this should categorically not be done! Please, stop the cutting and hold an expert evaluation. Otherwise, soil erosion is already beginning there, and soon the trolley route will float away! We appealed to the deputy, and Yu. Kochegarov said that he forwarded the case to the prosecutor's office, but time does not wait!

[Tsekov] Yu. Kochegarov must bring the case to its conclusion, especially since he is the secretary of the Crimean Supreme Soviet Permanent Commission on Ecology, Rational Application of Natural Resources, and Land Questions.

O. I. Lukyanova, director of the movie theater "Spartak," Simferopol How are we supposed to pay the tax on land—according to the law of Ukraine or of Crimea?

[Tsekov] According to the law of Crimea, but we, evidently, must agree with that decision that was adopted in Ukraine. We cannot exclude the possibility that in developing a new law we will exempt institutions of culture from payment for land.

[Lukyanova] At the meeting in the government, the managers of enterprises raised the question of optimization of taxation. But, once again, they forgot about us...

[Tsekov] Please, prepare specific proposals on all questions that you have touched upon. Present them in written form and address them to the Commission on Economic and Budget-Finance Policy, and it is quite possible that it will take them into consideration in developing the documents.

V. I. Grekov, Yevpatoriya The former authorities promised city residents 15 sotoks of land. But you, the democrats, can you allocate us land plots near main transport lines? Because I am an invalid, and my four sotoks are located so far away that I cannot get to them...

[Tsekov] The decision to allocate land plots for dachas and gardens was adopted by the former complement of the Supreme Soviet and the President of Ukraine, and this was secured in the Land Code. However, your city soviet is making the final decision.

[Grekov] I have another question: Can we return the lands of Yevpatoriya unlawfully handed over to Sakskiy Rayon?

[Tsekov] For this, there must be the appropriate petition by the Yevpatoriya City Council, and the decision of the Sakskiy Rayon Soviet, which will be secured by decision of the Supreme Soviet. In other words, first of all the activity of the local authorities is needed.

M. A. Tkachenko, Alushta My wife worked all her life in a sovkhoz, but her documents burned up, and, therefore, she receives the minimal pension. I appealed to the sovkhoz director and to the deputies, but it was all useless. Please, issue the directive so that she may receive the maximum pension—she earned it!

[Tsekov] I cannot promise you that she will receive the maximal pension. Write a letter addressed to me, explain all the circumstances, and I will issue an order for your appeal to be reviewed by the appropriate institutions.

S. P. Durnev, Simferopol Can we make it so that invalids and veterans are exempted from paying for apartments—discuss this at the session!

[Tsekov] We have a Council of Veterans in Crimea that works closely with the Supreme Soviet. It would be correct for you to appeal there, to P. A. Maksimov, and

this council will present a generalized proposal to the Supreme Soviet. It is entirely possible, we will take your wishes into consideration.

A. N. Sokolov, Simferopol I am an invalid of group II, and I supported a disabled child. Tell me, why is it that, according to the law, only women receive benefits in connection with care for a sick child? Can we introduce an amendment to it?

[Tsekov] But, according to the effective legislation, men too may receive benefits for caring for a sick child!

[Sokolov] Our boy died in August, and since that time we have gone through all the institutions, and gotten only a rebuff. I get the impression that no one even wants to talk to an invalid...

[Tsekov] I will expect a letter from you, since I must know all the circumstances of the case. Such questions cannot be resolved over the phone. Send it addressed to me.

P. M. Novikov, Feodosiya; M. I. Degtyareva, Bakhchisaray; I. S. Chuykov, Simferopol Tell us, how can we get an appointment with you?

[Tsekov] I hold appointments every third Friday of the month. All you need to do is sign up.

Summary

The hour and a half set aside for the direct conversation with Crimea residents flew by before we knew it. As usual, we asked our guest about his impressions.

[Tsekov] You know, I liked it. We must necessarily have such communication between the Chairman of the Supreme Soviet and the citizens of the republic. I do not know how often such lines should be opened, but they are needed.

However, I wish that the people who call me would distinguish between the authorities of legislative and executive power—unfortunately, today there were many questions that were addressed to the wrong place. Perhaps some people get the opinion that the Chairman of the Supreme Soviet is practically the main man in the republic—but that is entirely incorrect. I cannot interfere in the sphere of powers and authorities of judicial or executive authority, or give them certain commands. But I believe that in time people will understand what goes where.

Crimean Deputies on Russia-Ukraine Hearings

954F0389A *Simferopol KRYMSKIYE IZVESTIYA*
in Russian 22 Nov 94 p 1

[Article by V. Savchenko: "The Issue Was Examined, Contradictions Remain"]

[FBIS Translated Text] The parliamentary hearings "On Russian-Ukrainian Relations" and examination of the Crimean question by the Ukrainian Supreme Council

took place at virtually the same time. The group of deputies that left for Moscow was headed by Deputy Chairman of the Crimean Supreme Council V. Mezhak. Participating in the work of the Ukrainian session was a group of parliamentarians headed by deputy chairman of the Crimean Supreme Council A. Melnikov.

These are different events, of course. However, discussion of Crimean problems took place in both Moscow and Kiev. Therefore, the briefing conducted last Friday involved the participation of both deputy chairmen of the Crimean Supreme Council—V. Mezhak and A. Melnikov, and Standing Commission chairman S. Nikulin, who just returned to Simferopol.

Viktor Mezhak noted that the parliamentary hearings on Russian-Ukrainian relations had left a good impression. The Committee on Affairs of the CIS Countries (Chairman K. Zatulin) drew up many documents, including two draft treaties between Ukraine and Russia. In the opinion of experts, this document will not soon be signed, insofar as significant changes will have to be entered. The territorial issue between Ukraine and Russia has not been resolved, specifically—problems concerning Crimea, Sevastopol, and the Black Sea Fleet. There also exists a significant difference in the approach the two states have shown toward the problem of dual citizenship. Russia is "for," Ukraine—categorically against. Although in light of a recent edict of the Russian Federation president, USSR citizens finding themselves outside Russian territory for reasons not of their own doing today have an absolute right to acquire Russian citizenship.

Russian politicians are surprised at the attitude of Ukrainian authorities toward Crimea, especially since the president gave quite promising assurances in support of it. It was assumed that when L. Kuchma came to power, relations between Ukraine and Russia would also improve.

Responding to the question as to how the Russian Federation State Duma views the situation regarding the Black Sea Fleet, a deputy returning from Moscow stated that opinions on this issue diverge. However, the view of the Crimean parliament on this question is unambiguous, V. Mezhak stated: "Crimea has not, does not now, and will not ever want to be a bone of contention between two peoples—Russians and Ukrainians. Crimea must be a bridge of friendship between the two countries.

Upon hearing a journalist's question as to whether or not the Republic of Crimea would exist after adoption of the Ukrainian document, S. Nikulin reacted immediately, stating that the fourth power should not be thinking that way and influencing the people in that manner. The decree on the Crimean question, in his words, confirmed the statehood of the Republic of Crimea. Especially since there was not even any discussion of the Constitution of the Republic of Crimea at the session. Certain legislative acts were repealed by decree of the Ukrainian Supreme

Council, the overwhelming majority of which were already inoperative—the decree on measures to fight cholera, for example.

The question of dissolution of the Crimean Supreme Council has been propagated on many occasions at various levels. Responding to this, Aleksey Melnikov stated there is no such precedent in world practice. Nor do Ukrainian parliamentarians have any legal mechanism for it.

A significant portion of the legislative acts repealed by the Ukrainian parliament constitute economic endeavors of the Crimean Supreme Council, beginning in 1991. So the talk about affording rights to Crimea comprises just empty words.

Crimea is a region where the property of all the republics of the former Union have become entangled. The question of demarcation of property is therefore very important. There is one hope that the Provisional Commission of the Ukrainian Supreme Council will continue its effort to study the political-legal situation in the republic and will possibly attain resolution, together with Crimeans, of the question of demarcation of property, as well as demarcation of power between Ukrainian and Crimean authorities. A. Melnikov considers this the best solution to the problem.

Relations between Crimea and Ukraine need not grow more complicated as a result of the decree adopted by the Ukrainian Supreme Council, although, in A. Melnikov's words, the document does not resolve the contradictions that presently exist between Ukraine and Crimea.

President-Parliament Conflicts Analyzed

954K0379A Lvov POST-POSTUP in Ukrainian
No 39, 3-9 Nov 94 p A3

[Article by Volodymyr Zolotaryov, leader of the Constitutional-Democratic Party of Ukraine: "The Battle for Power Is Being Postponed. The Search for Archduke Ferdinand Continues"]

[FBIS Translated Text] *The open conflict between the president and the Supreme Council, the inevitability of which has been talked of from the first day Leonid Kuchma entered his new office, has not begun thus far. This, however, does not make the future conflict less likely. The potential for conflict lies in the fact that there has been no division of power so far and that the legislators, by having the ability to set the rules of the game (using the simple procedure of amending the constitution), have a monopoly on the course of the political process. For obvious reasons, the executive branch cannot agree to this, especially when it is headed by a president who was elected by all the citizens of Ukraine. On the outside, the preparations for battle have taken on the most diverse forms—a fight for reforms, for the rights of regions, for Soviet power or for its abolishment, etc.*

Each side has its inherent characteristics. The president has greater mobility in making decisions (or not making decisions, which is also very important) and in putting forward initiatives. The Supreme Council, on the other hand, adopts decisions by a vote and is made up of forces of various orientations, including the presidential party. Thus, in order to win, each side must do what it does best: The executive branch must lead the attack and the legislative branch must defend itself. Of course, various sorties, ambushes, and other elements of the art of tactics are possible. Strictly speaking, thus far, the events described in this article are unfolding according to this precise plan.

Both sides have done a great deal of work to prepare for an open clash, and both are continuing to dig trenches and capture staging areas. The president's administration began its attack by making personnel changes in the government. Meanwhile, the Supreme Council conducted a "reconnaissance in force" by holding a debate on the law on local councils, to which Leonid Kuchma responded with an edict subordinating the councils to the president. At present, trench warfare is being waged on this front. Both sides are preparing staging areas in the regions, whose support is of decisive importance, as the elections demonstrated. The president has the support of two structures—the Council of Regions, to which the chairmen of the oblast councils belong, and the Association of Mayors. The support of the latter is especially important and the most concrete. Supreme Council Chairman Oleksandr Moroz, well aware that no laws on local self-rule will compel the regional leadership to submit but not wishing to lose all control over this leadership, is sending his emissaries to the oblasts—curators from the Supreme Council who are expected to act on the basis of Oleksandr Moroz's written instructions.

The first blow was struck by Leonid Kuchma with his report on the path of radical economic reform. The parliament (with the active participation of Oleksandr Moroz) countered this blow adroitly. It simply supported the president. Now Leonid Kuchma has broken out into a forward position and is forced to do everything he proposed in his report, while the Supreme Council can calmly sit back and spoke his wheels. It no longer bears the responsibility for what is happening.

The next clash may come over the probable dismissal of the prime minister, who does not support the president's economic reforms. In our "parliamentary-presidential republic," the job of prime minister is akin to the ring in which fights are fought and compromises reached. Obviously, the parliament and the speaker will put up a fight for Masol, but it makes no sense for the left to appoint their "own" prime minister given their unstable majority (whose prospects will be even more uncertain following the additional elections in November). If one believes that Moroz is counting on a long political round, it is logical to predict that the speaker and the Communist majority he controls will "surrender" Masol and call

themselves the opposition, thereby removing themselves from the line of fire in the event the reforms fail.

However, the main battle will be fought on the constitutional field. The potential victor in this battle is the president, and he most likely intends to act decisively even if this involves dissolving parliament. The president's team has surrounded the Supreme Council from both sides. Kuchma's people are members of the constitutional commission jointly set up with the Supreme Council, and they have a minimum of half the votes in this body. This will enable them to block the work of the commission if the need arises. The president's team is putting forward the idea of a law on power—that is, in effect, that part of the constitution in which the president has the greatest interest. The draft law provides for a transition to a presidential republic and, if adopted, will mean the end of parliament's arbitrary rule. By calling the principal part of the constitution a law on power, the president has a chance to circumvent the Supreme Council, which alone has the right to adopt a new constitution. By dragging out the work of the constitutional commission while insisting on the immediate need to institute a division of powers, the president may attain his goal without running the danger of the president's version of the constitution being defeated by the Supreme Council. Should the parliament refuse to pass the law on power, it can be submitted to a referendum.

There is frequent talk among the president's team of a "small constitution," which, in addition to the law on power, is to include a law on economic reform and a law on human rights. Most likely, the purpose of this talk is to draw away attention from the law on power that the president needs, inasmuch as these additional laws have no legal content. The law on rights must be the basis of the law on power, and the two together constitute the constitution as such.

The seriousness of the Kuchma team's intentions is also illustrated by the preparations for the new parliamentary elections, which have in fact already begun. The Ministry of Justice recently conferred with the representatives of the various parties. A draft of a new law on parties was presented at this conference. The objective of the law is to reduce the number of parties by setting the minimum number of members needed to register as a party at 5,000 persons. At the same time, a new election law is being written, which provides for elections based on party lists. Both new laws will most certainly be passed by parliament, because all the principal factions of the Supreme Council are interested in elections on a proportional basis, as well as in reducing the number of contenders. The latter is especially important to the "professional centrists" from the presidential party, inasmuch as the number of contenders in their arena is extremely large.

It may even turn out that there will be no serious conflict. Most likely, Oleksandr Moroz, on whose stand a great deal still depends, is today choosing between the

office of Socialist leader and that of speaker of parliament with the latter winning out. In his speech at the congress of the Socialist Party, Oleksandr Moroz gave his audience to understand that there may be a conflict of interest between the jobs of chairman of the Supreme Council and leader of the Socialist faction and that the speaker must act "optimally." Moroz's plan is quite simple: By remaining a "moderate" between the "radical" Kuchma and the Communists, he hopes to earn additional political capital for the future presidential election. Clearly, the reforms, even if they begin immediately, will not yet have yielded any sweet fruit recognizable by the people. Thus the victory of Oleksandr Moroz, who "always wanted what was best," in the presidential election (whether Kuchma dissolves the Supreme Council or not is of no significance in this case) is quite probable. Therefore, as a presidential candidate, Oleksandr Moroz is interested in hammering the presidential stake into the constitution as far as it will go. Consequently, he may make concessions in the constitutional contest.

Security Service Official on Battle Against Crime

954K0318B Kiev URYADOVYY KURYER
in Ukrainian 29 Oct 94 p 5

[Report on interview with Anatoliy Sakhno, chief of the Press Center of the Security Service of Ukraine, by unidentified correspondent; place and date not given: "Criminal Stories Through the Eyes of the Security Service of Ukraine"]

[FBIS Translated Text] "Our main task today is to overcome crime and stop its most dangerous manifestations," said Anatoliy Sakhno, chief of the Press Service of the Security Service of Ukraine [SBU], in a conversation with our correspondent.

An analysis of existing SBU materials reveals that lately more and more crimes are directed at paralyzing the main arteries of our economic life—the credit and banking system, external economic relations, trade, the turnover of physical assets and resources.

The SBU's most important task is to forestall crimes and prevent losses to the state. Allow me to cite a few figures that speak for themselves. As of today, to the 635 billion karbovantsi recovered as a result of criminal investigations and with the help of the taxation organs we should add the several dozen trillion karbovantsi of potential losses to the state that the Service prevented in just the first nine months of this year. Let me remind you that the annual budget of the SBU constitutes a very small percentage of the above sum.

In addition, let me note that since the beginning of this year more than 33 billion karbovantsi in money and material assets and nearly \$3 million have been recovered in the course of criminal investigations based on SBU materials. Among the most recent operations conducted by agents of our units acting to enforce the

president's edicts on combating organized crime we should mention the arrest of one of the directors of a Donetsk commercial structure, who together with his partners used forged documents to obtain large loans. The lawbreakers converted this money into hard currency and deposited it in foreign bank accounts.

Criminal charges were brought in Chernivtsi against officials of the local branch of the Zakarpattya Lisbank Joint-Stock Bank. Taking advantage of their official positions and contacts among the managers of commercial structures, they engaged in financial machinations and illegal hard currency operations. A preliminary audit of the activity of this branch of the bank indicates that this financial institution suffered a loss of 16 billion karbovantsi.

Based on the operative information provided by the agents of the Odessa Oblast Administration of the SBU, on 20 October of this year local customs agents seized a large batch of tobacco products carried by three large trucks travelling from Greece to Moldova. The estimated value of the cargo—nearly \$500,000. Unfortunately, these are not isolated incidents; no customs duties are imposed on freight in transit, and this freight is not subject to customs supervision. As a result, there are those who try to take advantage of this route for personal gain. Agents of the Zakarpattya Oblast Administration of the SBU closed off another route used to illegally import foreign passenger cars into Ukraine. They caught a group of criminals who used forged documents to ship motor vehicles to the border oblast of Zakarpattya, where they registered them by placing forged seals and stamps in the documents. The operation resulted in the confiscation of six foreign trademarks, equipment for forging documents, and a significant amount of hard currency. The investigation is continuing. Working together with the militia, the SBU put an end to the illegal activities of a criminal group in Chernivtsi Oblast. Seven persons were arrested and an Uzi submachine gun, two TT pistols, and ammunition for them were confiscated.

Agents of the Khmelnytskyi Oblast Administration of the SBU caught and detained an individual charged with smuggling and possession of firearms for whom a search warrant had been issued. During a search, they confiscated a pistol, ammunition, two hand grenades, and gas weapons from the criminal.

In the process of carrying out the president's edicts on combating organized crime, SBU agents analyze the foreign economic activity of enterprises and organizations with various forms of ownership to determine their fulfillment of the import portions of barter agreements in 1993-94. Thus, for example, in the course of one such review, Department K of the Donetsk Oblast Administration of the SBU uncovered nearly 1,000 violations. They are now determining the reasons why the terms of the agreements were not carried out, and steps are being taken to return material assets to Ukraine.

Based on SBU materials, the taxation organs have imposed financial sanctions on economic entities for various violations in the amount of more than 360 billion karbovantsi and nearly \$3 million, of which 41 billion karbovantsi and \$520,000 have already been transferred into the state budget.

Work of MVD's Visa, Registration Service Viewed

954K0318A Kiev URYADOVYY KURYER
in Ukrainian 29 Oct 94 p 5

[Interview with Colonel of the Militia Zinoviy Yakobchuk, deputy director of the Passport, Registration, and Migration Administration of the Ministry of Internal Affairs of Ukraine, under the rubric "Law and Order"; place and date not given: "When You Travel Abroad..."]

[FBIS Translated Text] The tumultuous restructuring that brought down the borders of the "great and mighty" [Union] made it possible for all of us to see more of the world. Since then, travel abroad has become common and has assumed truly mass proportions.

In light of the fact that in the last two years more than 10 million persons have applied to internal affairs agencies responsible for matters pertaining to travel abroad, the visa and registration service of the Ministry of Internal Affairs of Ukraine has quite understandably become the focus of attention of virtually the country's entire able-bodied population. Having "a friend" in this subdivision of law enforcement has become as prestigious as, for example, knowing a people's deputy... At the same time, the fabrications and rumors about the work of the OVIR's have sometimes taken on incredible proportions.

What do these subdivisions, which are now called passport, visa, and migration departments, actually do? Who works in them? The editors of URYADOVYY KURYER posed these and other questions to Colonel of the Militia Zinoviy Yakobchuk, deputy director of the Passport, Registration, and Migration Administration of the Ministry of Internal Affairs of Ukraine.

[Yakobchuk] These subdivisions are the principal agencies within the government responsible for organizing and carrying out the Laws of Ukraine "On the Legal Status of Foreign Citizens in Ukraine" and "On the Procedure for Leaving and Entering Ukraine." After the laws of Ukraine "On Ukrainian Citizenship" and "On Refugees" came into force, these issues were added to the service's priorities. The Law "On Immigration" is to be passed next. As you can see, the service has many functions. In addition to issuing foreign passports and processing documents for those departing the country to take up permanent residence abroad, our functions include:

ensuring that foreign citizens and stateless persons are issued documents that permit them to enter Ukraine, stay in Ukraine, and leave Ukraine;

organizing supervision of compliance by foreign citizens and stateless persons with the regulations governing their stay in Ukraine or transit across the territory of Ukraine;

organizing the enforcement of legislation on citizenship with respect to persons who reside permanently in Ukraine;

preparing documents for deporting foreign citizens and stateless persons from Ukraine.

The volume of work is constantly increasing. For example, in the past, in enforcing the law on citizenship, our administration considered 50 to 80 cases per year within the prescribed time limits and prepared decisions to be submitted to the President's Commission on Citizenship. In the first six months of this year, there were 524 such cases. After the Law on Citizenship came into force, more than 100,000 persons applied to the law enforcement organs on matters pertaining to Ukrainian citizenship, including more than 4,000 persons from countries of the far abroad.

This year, we have issued more than 400,000 permits and documents to foreigners allowing them to enter and stay in our country.

In devoting a significant amount of attention to the implementation of the state's policy of passporting citizens and the strict enforcement of the laws on citizenship, the government regards it as necessary to approve the Statute on the Passport and Visa Service. Without a doubt, this will improve the effectiveness of the work of this service.

[URYADOVYY KURYER] Can you shed some light on the currently incomprehensible situation with respect to foreign passports?

[Yakobchuk] As the readers of URYADOVYY KURYER probably know, in June of this year the Cabinet of Ministers of Ukraine approved a standard passport for Ukrainian citizens to be used for travel abroad. It is already being printed by the factory the republic's Derzhznak [State Publishing House of Official Documents] on an order from the Ministry of Internal Affairs. Briefly put, under current law there will be three types of foreign passports: regular, official, and diplomatic. Anticipating a significant increase in applications in connection with the introduction of the new passports, I would like to assure the citizens of Ukraine that all foreign passports received earlier continue to remain valid if they have been reregistered as passports that permit travel to all foreign countries and if they have not expired. As a matter of fact, our subdivisions have already provided more than two million persons with such passports.

[URYADOVYY KURYER] It is no secret that there are instances in which forged foreign passports are used. Are there really that many of them in circulation?

[Yakobchuk] It is not easy to forge a passport, but instances of forging various particulars that are entered in foreign documents have indeed become more frequent.

This year more than 400 citizens of Ukraine have been detained at the state border on these grounds. Investigations show that in the absolute majority of cases these citizens used the services of dubious organizations and intermediaries. The internal affairs organs have taken steps and will continue to take steps to put a stop to this kind of illegal activity. The mass media have already reported the exposure of such machinators. But we would like people to be more careful in their dealings with dubious firms and intermediaries.

[URYADOVYY KURYER] Some citizens of Ukraine have received regular foreign passports that give them the right to travel to any country in the world, but in order to travel on official business to the countries of Eastern Europe they need to reapply to the internal affairs organs to have the designation "official trip" stamped in their passports. This causes dissatisfaction among people.

[Yakobchuk] The explanation is simple. The former USSR and a number of East European countries signed agreements under which citizens of these countries could travel on official business without visas using regular passports bearing a stamp "official trip." The Republic of Poland, the Republic of Slovakia, and other countries confirmed that they require that these agreements on stamping passports be complied with. Ukraine, as a legal heir of the former USSR, continues to adhere strictly to this requirement. This means that a citizen of Ukraine has to present evidence to OVIR or the Ministry of Foreign Affairs of Ukraine that his or her trip to a given country is of an official nature in order to receive a stamp to that effect in his or her passport. Those who cannot offer proof that they are expected on official business in a given country must apply for an entry permit at the foreign diplomatic representation of the given country in accordance with the legal requirements of that country.

[URYADOVYY KURYER] These days the Western press has much to say about what the so-called "invasion" of tourists from the CIS republics means to the countries of Europe. How do foreigners conduct themselves in Ukraine?

[Yakobchuk] More than 10 million foreigners visited Ukraine this year, most of whom crossed the territory of Ukraine in transit. The internal affairs organs registered close to half a million national documents of people who came to Ukraine for private, official, and other reasons. The majority obey the law. But far from all, unfortunately. The passport, registration, and migration subdivisions in 1994 imposed administrative penalties on more than 6,000 foreigners for violating the regulations governing the stay of foreign citizens in our country. Lately, the problem of illegal migration of foreigners into

our country is becoming more acute, especially by Pakistanis, Iraqis, Vietnamese, and other citizens from the Asian continent. The number of people who enter Ukraine illegally and then try to cross the Ukrainian border on their way to other Western countries runs into the thousands. In our opinion, it is impossible to combat this phenomenon effectively without changing our laws, which, in contrast to the laws of foreign states, do not provide for criminal liability on the part of foreigners who openly ignore the legal status of foreign citizens in Ukraine. Moreover, the fines imposed on those who violate this status are dozens or hundreds of times lower in hard currency equivalents than, for example, those in the Federal Republic of Germany, the United States, Finland, and other countries. It is also necessary to review the procedure for issuing visas to foreigners. The Ministry of Internal Affairs submitted the necessary proposals to the government regarding these matters, and we expect them to be adopted.

[URYADOVYY KURYER] Zinoviy Petrovych, you will probably agree that our citizens are forced to waste a great deal of time obtaining foreign passports. Can we expect the situation to improve?

[Yakobchuk] You are correct. Processing foreign passports in a timely and uncomplicated manner is perhaps our most worrisome problem. I have already said that in the last two years 10 million persons applied to the internal affairs organs. This figure serves as persuasive evidence of the intense pace at which our personnel have to work. But I want to make sure that I am understood correctly. We are not ignoring the fact that there are instances of dilatoriness on the part of some of our personnel, instances in which the procedure for accepting documents from citizens is violated, and we are taking firm action to combat these phenomena. But you must surely agree that the situation could not but become more difficult given that in recent years the volume of work has increased not by dozens of percentage points but dozens of times despite virtually no increase in the number of the service's personnel. There is a physical limit to what our people can do. Passage of the Law "On the Procedure for Leaving Ukraine and Entering Ukraine for Citizens of Ukraine" has opened up wide opportunities for foreign travel. However, obtaining a foreign passport is currently a troublesome procedure, involving long waiting lines, lists...

But positive changes are being made to improve the situation. In June the government passed a decree on increasing the number of personnel employed by the service. The steps taken by the Ministry of Internal Affairs have stabilized the situation somewhat, and the number of applications for foreign passports that have taken longer to process than the prescribed period of time has dropped to one-third as many as before and is continuing to fall. A 30-hour work schedule for dealing directly with applicants is being established for the OVIR subdivisions. Steps are being taken to solve the problem of a shortage of blank foreign passports that

plagued us lately, exacerbating the situation further. The Ukrayina printing facility has already begun printing national passports. They fully meet world standards and the requirements of the ICAO international organization and are adequately protected against forgery. So far, the acquisition of special equipment by the passport and visa service for processing such documents, including the equipment for reading the machine-readable page in foreign passports, is not progressing as quickly as we would like.

The Ministry of Internal Affairs of Ukraine and the passport and visa service in particular are taking steps to improve their work so that our citizens face fewer problems when obtaining the necessary documents for travel abroad.

Decree on MVD Passport Service

954K0299A Kiev URYADOVYY KURYER
in Ukrainian 20 Oct 94 p 8

["Decree of the Cabinet of Ministers of Ukraine, dated 10 October 1994, No. 700 on Approving the Statute on the Passport Service of the Internal Affairs Organs"]

[FBIS Translated Text] The Cabinet of Ministers of Ukraine RESOLVES:

To approve the Statute on the Passport Service of the Internal Affairs Organs (appended), which has been established in accordance with Decree of the Cabinet of Ministers of Ukraine, dated 31 December 1993, No. 1086 on Priority Measures To Ensure the Issuance of Passports of Ukrainian Citizens (ZP UKRAYINY, 1994, No. 5, page 114).

[Signed] Prime Minister of Ukraine V. Masol
Minister of the Cabinet of Ministers of Ukraine V. Pustovoytenko

Statute on MVD Passport Service

954K0299B Kiev URYADOVYY KURYER
in Ukrainian 20 Oct 94 p 8

["Statute on the Passport Service of the Internal Affairs Organs Approved by Decree of the Cabinet of Ministers of Ukraine, dated 10 October 1994, No. 700]

[FBIS Translated Text]

1. The passport service of the organs of internal affairs (henceforth, the passport service) shall be an integral component of the public security militia within the MVD [Ministry of Internal Affairs] organization.

The following shall belong to the passport service:

MVD directorates for passport, registration, and migration affairs;

directorates for passport, registration, and migration affairs of the main directorates and MVD directorates

in the Autonomous Republic of Crimea, oblasts, and the cities of Kiev and Sevastopol;

departments (sections) for passport affairs of city (rayon) internal affairs organs.

2. In its operations the passport service shall be guided by the Constitution and laws of Ukraine, decrees of the Supreme Council of Ukraine, edicts and directives of the president of Ukraine, ordinances, decrees, and directives of the Cabinet of Ministers of Ukraine, relevant international treaties of Ukraine, and this statute, as well as MVD regulatory acts.
3. The following shall be the key tasks of the passport service:

implementation of the state policy on issuing passports of citizens;

ensuring the issuance of passports of Ukrainian citizens, passports of Ukrainian citizens for travel abroad and children's travel documents to the citizens of Ukraine who permanently reside in Ukraine;

organization of the implementation of citizenship legislation with regard to individuals permanently residing in Ukraine;

ensuring the issuance of documents for entering Ukraine, staying in its territory, and leaving beyond its borders to foreign citizens and stateless individuals (henceforth, foreigners);

organization of control over compliance by foreigners with rules for staying in Ukraine or moving across its territory in transit;

preparation of documents for the deportation of foreigners from Ukraine through established procedures.

4. In line with the tasks entrusted to it, the passport service shall:
 - 1) organize efforts associated with the issuance of documents to the population, issuance and revocation of residence permits, registration and accounting for citizens at their places of residence, and control compliance with passport system rules by citizens and officials;
 - 2) review petitions and ensure the processing of passports for citizens of Ukraine to travel abroad and documents for foreigners to visit Ukraine and exit at its borders;
 - 3) ensure compliance with legislation on citizenship of Ukraine, the acceptance of citizens, the processing and verification of applications and petitions on issues of citizenship and their submission with findings to the Commission of the President of Ukraine for Issues of Citizenship, as well as take measures to implement the decisions of the commission;

- 4) organize through established procedures the registration of national passports of foreigners who arrive in Ukraine and monitor their compliance with rules for staying within the country, as well as take measures to prevent the violation of these rules;
 - 5) take part in the development of special devices and equipment for processing passport and visa documents, propose through established procedures the format of national passports, identity documents, residence documentation, and other high-security forms and act as the customer in manufacturing them;
 - 6) support a search for child support evaders, defendants, and debtors of the state, as well as assist the National Committee of the Red Cross Society in a search for certain individuals;
 - 7) take part in efforts to prevent violations of law and crimes associated with taking advantage of the opportunity to enter Ukraine and leave it, as well as of the passport system;
 - 8) take part in building a database concerning individuals whose entry to Ukraine is undesirable for considerations of protecting public order, health care, and protecting the rights and legitimate interests of citizens, and ensure the transmittal of such information to the Ministry of Foreign Affairs and the State Committee for the Border Guard;
 - 9) within the confines of its jurisdiction, cooperate with interested ministries and departments and executive committees of local councils in resolving issues of refugees and forced migrants;
 - 10) generalize the practice of applying regulatory acts that govern passport and visa operations and the meeting of requirements for Ukrainian citizenship and, on this basis, make proposals for developing draft legislative acts, as well as take part in such work;
 - 11) prepare informational and analytical documents on the implementation of legislation on the issues of the passport system, citizenship, exit of the citizens of Ukraine to foreign countries and their entry to Ukraine, and the legal status of foreigners in Ukraine, and submit them to relevant state organs;
 - 12) clarify state policy on the issuance of passports to the population and liability for the violation of legislation in this area;
 - 13) cover issues of the operation of the passport service in the mass media.
5. Subdivisions of the passport service shall enjoy rights envisioned by the Laws of Ukraine on the Militia, on the Citizenship of Ukraine, on Procedures for Exit From Ukraine and Entry to Ukraine by Ukrainian Citizens, on the Legal Status of Foreigners, on Refugees, and other legislative acts which govern the operation of the passport system and the issues of citizenship. In particular, the staff of the passport service shall have the following rights while on official duty:
- 1) to check the identity documents of citizens and officials, as well as other documents to resolve issues of compliance with the rules of the passport system and requirements of the legislation on the legal status of foreigners in Ukraine;
 - 2) to take measures envisioned by legislation in effect with regard to citizens and officials who violate the rules of the passport system and rules for the entry, stay, and exit of foreigners from Ukraine and their movement across its territory in transit;
 - 3) to enter without hindrance the premises of enterprises, offices and organizations, regardless of the form of ownership (except for the diplomatic missions and consular establishments of foreign states) with a view to accomplishing the tasks entrusted to the passport service;
 - 4) to verify compliance with legislation in effect with regard to ensuring compliance with the rules of the passport system and requirements concerning the legal status of foreigners in Ukraine by ministries, departments, enterprises, offices, and organizations regardless of the form of ownership, and submit proposals as to eliminating the causes and conditions that facilitate violations of the rules and requirements;
 - 5) to reduce the duration of the stay of foreigners in Ukraine and prepare findings for their deportation on the grounds envisioned in legislation;
 - 6) to verify the particulars and determine the title of individuals permanently residing in Ukraine to the citizenship of Ukraine and register the instances of its loss;
 - 7) to temporarily suspend the issuance or confiscate from citizens the passports of Ukrainian citizens for foreign travel in cases envisioned by legislation in effect;
 - 8) to confiscate from citizens and officials documents that exhibit signs of forgery and transmit them through established procedures as appropriate;
 - 9) to obtain information needed for accomplishing the tasks entrusted to the passport service from ministries, departments, enterprises, offices, organizations, and citizens free of charge (except for cases in which a different procedure for obtaining information has been established by law);
 - 10) to use state-owned mass media free of charge in order to locate debtors of the state and child support evaders, and also in assisting the National Committee of the Red Cross Society in searching for certain individuals.

6. The MVD directorate for passport, registration, and migration affairs, which shall be a separate structural subdivision in the structure of the ministry, shall provide immediate management of the passport service. The chief of this directorate shall be appointed by the minister of internal affairs.

Appointments to the positions of the chiefs of subdepartments of passport, registration, and migration affairs of the main directorates and MVD directorates in the Autonomous Republic of Crimea, oblasts, and the cities of Kiev and Sevastopol shall be coordinated with the MVD directorate for passport, registration, and migration affairs. In accomplishing the tasks entrusted to them, directorates, departments, and sections of the passport service shall be subordinated to the chiefs of the relevant internal affairs organs. The employees of the passport service shall not be used to accomplish tasks that are not placed within the jurisdiction of the service.

7. With a view to accomplishing the tasks entrusted to it, the passport service shall cooperate with the relevant subdivisions of the MVD, the Ministry for the Affairs of Nationalities, Migration, and Religious Denominations, the Ministry of Labor, the Security Service, the State Committee of the Border Guard, the State Customs Committee, and other ministries and departments.
8. The passport service shall take part in international cooperation to resolve issues of a humanitarian nature and to ensure the rights and freedoms of the citizens of Ukraine, as well as to meet the international obligations of Ukraine in the sphere of interpersonal contacts.
9. The directorate for passport, registration, and migration affairs of the MVD, directorates (departments) for passport, registration, and migration affairs of the main directorates and MVD directorates in the Autonomous Republic of Crimea, oblasts, and the cities of Kiev and Sevastopol shall have seals with a depiction of the state emblem of Ukraine and their names.

Strike Threat Looms Over Donbass

954K0377A Lvov POST-POSTUP in Ukrainian
No 40, 10-16 Nov 94 p A1

[Article by Oleksandr Savitsky: "The Donbass Has Raised the Strike Sledgehammer. The First Blow Will Fall on Their Own Fingers"]

[FBIS Translated Text] On 3 November, a conference of representatives of the miners' collectives of five coal associations of Donetsk and Luhansk Oblasts resolved to proclaim a prestrike state and to call a meeting of strike committees and miners' trade unions for 10 November at which they would set a strike date and determine the form that the action would take. The appeal from Volodymyr Shcherban, chairman of the Donetsk Oblast Council, to "give us a

month to a month and a half to reform the coal industry" was left hanging in the air. Everyone understood that the strike was senseless, but the increase in prices made it impossible to halt the battering ram of the miners' strike.

Volodymyr Shcherban told the participants in the conference that he had obtained the consent of the government and the president to reform the coal industry. In the view of the chairman of the oblast council, the proposal to create a ministry of coal industry cannot save this sector. Shcherban intends to disband the production associations and make each coal enterprise independent. Shcherban believes that this will attract foreign investment and enable the sector as a whole to surmount the crisis. Moldova is ready to invest \$10 million in the Donbass mines right now in return for 50% of the coal extracted from these mines. In addition, coal prices will be decontrolled, making it possible to sell the coal abroad to earn money for retooling and paying miners a normal wage.

According to Volodymyr Shcherban, he succeeded in convincing First Deputy Prime Minister Viktor Pynzenyk and the government to partially pay off the sector's state debt (7 trillion karbovantsi) by the end of the year, set the price of coal at 1.97 million karbovantsi per metric ton, and increase the consumption fund of coal enterprises by a factor of 1.6. The last measure will make it possible to raise the wages of workers in the principal professions to 8 million karbovantsi. The miners' conference counted up the money that Shcherban managed to "wrest" from the government and proposed that the consumption fund be increased by a factor of 1.8-2 to meet the miners' demands with respect to wages and thus avert a social explosion. But all in vain.

The new miners' strike may continue a dubious tradition—not one of these strikes removed the causes that produced it in the first place. From the very beginning of the workers' movement, when strikes broke out with the full consent and support of the directors, fundamental contradictions existed between coal industry workers and their colleagues in associated industries—the metallurgists and coking chemists. As colleagues in the nomenklatura party, they promised the coal directors total support in their strike actions. But the blow of machine-building defense whip forced them to come to their senses, and they betrayed the miners, justifying their action by arguing that the continuous manufacturing process could not be halted.

Subsequent events only deepened the gap between the coal industry workers and their principal consumers. Attempts, in particular by Volodymyr Slednyev, director of the Donetsk Metallurgical Plant, and Valentyn Ilyushenko, general director of the Donetskuvhillya [Donetsk Coal] Production Association, to overcome these contradictions by creating a closed system of metal production beginning with the extraction of coal and ending with the production of rolled metal proved unsuccessful. The metallurgists found it more profitable

to buy their coal in Poland at \$40 than in Donetsk at \$10-\$20 and then have to share their hard currency earnings with the miners. After all, they bought their foreign currency at a fixed rate of exchange, which was significantly lower than the real exchange rate, but sold their metal for "live" dollars and German marks. As a result, the metallurgists and coking chemists earned (with ecological, vegetable, and other supplementary payments added in) 12-14 million karbovantsi, while the miners earned 1.5-2 million.

Neglected and exhausted, the coal industry was quietly expiring. Periodic strike fires were put out with financial rains; the politicians reaped a rich harvest, while the directors, sensing the approaching death of their industry, plundered enterprises at a Stakhanovite pace.

At the end of October the strike leaders met with Volodymyr Shcherban, chairman of the Donetsk Oblast Council, supported the economic reforms he proposed, and sent a delegation of miners to Kiev to sit down together with the government and discuss the problems of the coal industry. For nearly two weeks the delegation hung about the corridors of the Cabinet of Ministers and the president's administration to no effect. The strike became inevitable. For perhaps the first time, the strike battering ram may be turned against reforms.

Communists Condemn Government Policies

954K0378A Kiev HOLOS UKRAYINY in Ukrainian
5 Nov 94 p 8

[Statement of the "Communists of Ukraine for Social Justice and the Rule of the People" Faction in the Supreme Council: "No to the Antipeople Policy!"]

[FBIS Translated Text] Esteemed comrades!

On more than one occasion, the Communists have warned the citizenry of Ukraine that the policy designed to complete the capitalist coup creates conditions for transforming thieves, speculators, and usurers into billionaires and the owners of the national wealth, and the workers into beggars dependent on the arbitrary will of employers and long-suffering Ukraine into a semicolonial, economically backward, debt-ridden country controlled by criminal gangs.

The "new policy" is nothing more than an even more vigorous continuation of the bankrupt, antipeople, antinational policy of the previous regime, which embodies the platform of Rukh and other extremist forces and which was financed and supported by international capital with the goal of increasing the exploitation of Ukraine. Here is why the rightist parties, the "fat cats"—the commercial bosses, speculators, bankers, and politicians who have sold themselves for dollars and the flunky—"theoreticians" are in raptures about the "new policy": It allows them to continue raking in billions on the uncontrollable rise in prices, foreign currency speculation, and the wholesale export of scarce products, to shamelessly continue picking the already holey pockets of their own people.

The experience of the last three years has shown that the liberalization of prices, which the president advocates, means the uncontrolled and incessant rise of prices. The liberalization of the foreign exchange rate and foreign trade means the export from Ukraine of raw materials and materials and will result in the ultimate collapse of our industry and the prevalence of third-rate imported goods on the consumer market, deprive many families of the right to housing and heat, lead to large-scale buying up of land in payment for debts and a wave of land speculation, and transform the mass of workers, peasants, and engineering and technical personnel into the ranks of the unemployed and hired hands.

The capitalist privatization that is being conducted is a blatant deception of the people, and the Supreme Council quite rightly decided to put a stop to the violations and bring order to this endeavor in order to halt the plunder of the people's wealth and the destruction of Ukraine's industrial and intellectual potential.

Even a simple analysis demonstrates convincingly that the policy that is being forced upon the people is being formulated on instructions from the International Monetary Fund in the interests of the West and is openly hostile to Ukraine. The IMF's handouts will not save Ukraine. World experience confirms that no country that abided by the decrees of the International Monetary Fund has been able to break out of the economic cabal. The example of neighboring Russia is also telling in this respect.

The very first practical steps taken to implement the program proposed by the president have produced an unprecedented surge in consumer prices, the further deterioration of the already catastrophic state of production, and increased shortages of food products and fuel.

Many families of workers, collective farmers, teachers, physicians, ordinary office workers, scientists, and our dear veterans and pensioners are on the brink of despair.

We, Communist people's deputies, support the creation of a genuinely socially oriented economy that provides for strict government regulation and not indiscriminate liberalization, effective social safeguards and not the impoverishment of the workers and the weak, reducing social stratification and not widening the gulf between the small group of those who are ceaselessly growing richer and the masses who are growing infinitely poorer. We stand in opposition to the forces that are pushing the people into poverty from which they will never emerge and the state into backwardness and colonial dependence while masking their antipeople policies with demagogic talk about assistance to the neediest strata of the population.

The Communist Party has a specific program, the fundamental principles of which provide for:

—halting the continued ruination of the state sector of the economy and the forced destruction of the people's wealth;

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- retaining state ownership of a portion of the retail trade network and consumer service enterprises;
- restoring as quickly as possible the mutually advantageous economic, scientific, and other relations with CIS countries;
- providing financial assistance to enterprises able to produce competitive goods;
- establishing state controls over foreign trade and the foreign exchange rate, foreign currency earnings and expenditures;
- using foreign loans only for new technologies and promising programs;
- putting tax legislation in order;
- nationalizing commercial banks;
- prohibiting the circulation of foreign currency in the country;
- cutting the administrative staffs of state institutions of government;
- not allowing land to become a commodity subject to purchase and sale;
- creating a wide network of capacities for the processing, storage, and sale of production;
- preserving the most important social attainments of the workers—the guaranteed right to work, to a free education and medical care, to a secure old age, affordable prices for food, housing, and municipal services;
- surmounting the payments crisis and reviving production on the basis of a regulated economy by establishing price parity, recuperating industries, restricting the export of scarce raw materials, materials, and stores, providing financial support for enterprises with a market for their products, setting up the production of goods that can take the place of imports and of goods for export;
- introducing extraordinary measures to combat organized crime and corruption;
- in view of the strained situation with respect to supplying the population with food products and industrial goods, setting limits in the distribution of these goods;
- reviving the activity of labor collective councils at enterprises, the activity of people's and workers' control, which will put a stop to the plunder of national wealth and the lawlessness of individual administrators, who have taken over.

The Communists of Ukraine reaffirm that they oppose the plunder of the working people and are prepared to cooperate constructively with those political forces and movements whose goal it is to conduct reforms that are not to the detriment of the people.

The implementation of the above program is the way to surmount the national crisis. This is a real alternative to the antipeople policy of "liberalization" and privatization, to the policy of plundering the people, and to national humiliation.

The Communists call upon the workers, trade unions, political parties, and movements to unite and halt the plunge of the country into an abyss, to halt the catastrophic drop of the living standard. If we fail to do so, our children and grandchildren will curse us.

ECONOMIC AFFAIRS

Crimean Foreign Economic Possibilities

954F0411A Simferopol KRYMSKAYA PRAVDA
in Russian 24 Nov 94 p 2

[Interview with Aleksandr Ryabkov, deputy chairman of the Crimean Government Committee on Foreign Economic Relations and deputy of the republic's Supreme Soviet, by KRYMSKAYA PRAVDA correspondent I. Dyakov: "A Chance Worth a Million Dollars"]

[FBIS Translated Text]

[Dyakov] Aleksandr Pavlovich, evidently the activity of the Committee on Foreign Economic Relations, aside from all else, should be directed at replenishing the Crimean budget with hard currency?

[Ryabkov] Yes, we must solve the appropriate problems in interaction with other departments and enterprises. We see several directions in which it has long been time to step up this work. Unfortunately, much time has been lost through the fault of the former government.

For example, Russia returned the currency investments that were at one time frozen in the USSR Foreign Economic Bank. Crimea should have made efforts to see that our enterprises also had their SKV [hard currency] returned to them. Altogether, their investments comprise around \$50 million.

[Dyakov] Some part of this money could also have gotten into the state budget of Crimea?

[Ryabkov] The enterprises were ready to cede their investments to the republic. The appropriate announcements of economic managers and entrepreneurs were made in this regard. However, they were ignored. The Moscow command of Yevgeniy Saburov did not utilize its extensive ties with the leadership circles of Russia in resolving this question. If it had been possible to take back the stated sum, this would have been more than enough to maintain prices on bread at the former level for several years, as well as on other social needs.

[Dyakov] Has any enterprise succeeded in getting back its currency that was invested in the Foreign Economic Bank?

[Ryabkov] There are precedents both in Crimea and in other regions of Ukraine. Certain enterprises were able to ensure support for themselves in the former Supreme Soviet of Russia, the current State Duma, and the country's government. Our committee today, with the support of the Supreme Soviet Chairman Sergey Tsekov, is working on solving this currency problem. I, as a deputy, had occasion to visit Moscow in regard to this matter, and, although slowly, matters have indeed begun to progress.

[Dyakov] In what other directions is it possible to make money for Crimea?

[Ryabkov] For example, it is possible to pump currency out of unfinished hotels. In Simferopol there is a unit of an Intourist hotel that is unfinished. There is another one in Yalta. They have been left to the whims of fate, although there was around \$27 million invested in them altogether. On the Simferopol hotel, \$9 million were spent; and another \$11 [million] are needed to finish construction. However, work is not being performed because the objects have no master. Nevertheless, if the delays continue at the Simferopol Hotel for at least another half a year, it will be necessary to tear down the unit. It will become unusable as a result of the effects of atmospheric precipitation. After all, the construction was not placed in conservation.

[Dyakov] So where do we find a master?

[Ryabkov] There are those who want to buy unfinished hotels, and we cannot let the chance slip away that may replenish the Crimean budget by tens of millions of dollars.

[Dyakov] As I recall, you personally raised the question of more rationally utilizing the marvelous building of the former House of Political Enlightenment of the party obkom [oblast committee]. Has this question become outdated?

[Ryabkov] No, it still requires solution. In this building we could house an international center and concentrate the foreign economic activity of Crimea here. Moreover, since there is no other building in Simferopol that meets the requirements of international standards, a number of countries could open trade and consular representations here. Thanks to this, the building would give \$2-\$3 million of net profit per year.

Such a favorable fate may also befall the unfinished ice palace in Simferopol. It would be quite suitable for an international exhibition center. But this facility has no master, despite the fact that it is threatened with total disintegration. The position of city Mayor Valeriy Yermak is unclear. He uses any excuse to drag out resolution of the question.

[Dyakov] The creation of currency reserves must influence also the development of Crimea's foreign economic relations with other countries?

[Ryabkov] But of course! Foreign investors would feel definite guarantees on the part of the state. For this, the Crimean budget must always have several tens of millions of dollars. Without such a base, investors do not especially believe our words to the effect that we are good and will not deceive them. Hard currency would be a sort of gold reserve for Crimea.

The former government wanted to settle accounts with foreign investors with our health institutions, our ports, and our land. However, we cannot do this. This is a crime. We must settle accounts in money.

[Dyakov] However, President of Crimea Yuriy Meshkov, after his trip to Switzerland, stated that such huge dollar investments will flow in to us, which may be compared with the budget of a large state.

[Ryabkov] It is necessary to attract professionals to such matters. Then there will not be hare-brained schemes. They have become possible because people who were incompetent in questions of foreign economic activity were included in the president's command. When it became necessary to answer for their loud promises, these persons disappeared from the president's circle.

[Dyakov] And what is your committee doing in currency directions?

[Ryabkov] When I came to work in it three years ago, the currency budget consisted of \$15,000. Then it reached \$200,000, and in January of the current year it dropped to \$25,000-\$30,000. The dollars were spent primarily for buying medicines and medical equipment. The economic reforms that began and the efforts of our committee made it possible to attract several hundred thousand more dollars to the budget. But, I will repeat once again, the corresponding capacities were utilized very weakly, including also by our committee.

[Dyakov] Who manages the currency available in the Crimean budget, and how?

[Ryabkov] Usually the head of the government managed it. A significant portion of the currency went for foreign business trips of leaders. The spending of these funds was practically not controlled by anyone, and the existence of currency accounts was handled by only a few people. Although, of course, the use of SKV must be reportable to the Supreme Soviet of Crimea.

It was suggested long ago to the current head of government that he create a company that would professionally engage in the purchases of medicines, oil, and other materials from abroad. In this respect, the experience of Estonia may be useful, as it is comparable to Crimea by its population numbers and by its territory. It created significant currency and gold reserves due to the reexport of petroleum products and nonferrous metals. This work

was performed under the control of the state, and it was specifically the state that got rich off of it, and not the commercial structures.

The Estonians skillfully utilized the disorderliness and confusion observed during that period in the neighboring states. We, however, have five ports, many airports, and other capacities. Yet for the time being, the riches are running through the fingers of the Crimeans. Yet it is time to really start catching the currency and directing it into our budget.

Kuchma Winnipeg Speech to Economic Conference

954K0333A Kiev URYADOVYY KURYER
in Ukrainian 1 Nov 94 p 3

[Speech by President of Ukraine Leonid Kuchma at official opening of the Conference on Partnership for Economic Transformation in Ukraine in the city of Winnipeg under the rubric "From Official Sources" as carried by UNIAN: "We Will Not Abandon Reforms"]

[Text] Esteemed Mr. Chairman!

Esteemed ladies and gentlemen!

It is a great pleasure for me to greet you at the opening of the Conference on Partnership for Economic Transformation in Ukraine, whose decisions are of fundamental significance to our country. I am also pleased that this meeting is being held on the hospitable soil of Canada, to which we are bound by a friendship of long duration and special partnership relations. I would like to thank the organizers of the meeting and the Canadian Government for this opportunity to directly address you that I have been given.

As is known, the decision to hold the current conference in the city of Winnipeg was made at the meeting of the heads of G-7 states in Naples in July of this year. This decision was preceded by Ukraine's conclusion of the Agreement on Partnership and Cooperation with the European Union. At the same time, our dialogue with leading industrially developed countries has become considerably more active. The new situation in the development of our international relations occurred in a period of profound changes in the domestic economy of Ukraine. The president and the government proclaimed the implementation of extensive, radical market-oriented reforms in Ukraine to be their priority, and have already begun working to this end. Consistent implementation of such reforms is the primary course of our economic policy. I would also like to note that the president's economic course toward the accelerated market-oriented transformation in Ukraine has been approved by the Supreme Council of Ukraine. This decision has created not only favorable economic but also political prerequisites for successfully achieving the goals set.

At present, Ukraine has many problems that urgently need be solved. Participants in the conference are well aware of these problems. The gradual decommissioning of the Chernobyl Nuclear Power Station and improving the reliability of other reactors is a particularly significant problem. The international public has been paying attention to this problem. This is natural and understandable. We will definitely solve this problem, among other things, with the participation of the international community.

However, at present the priority task is to set in motion the key levers of urgent market-oriented transformations. It is precisely on this that I would ask the attention of the conference to be focussed.

In the course of conducting profound economic reforms, all of us will work to take the greatest possible advantage of the potential of our own economy. However, the current situation in the economy is such that success in the accomplishment of the tasks set depends also on external assistance to a considerable degree. We are grateful to the countries that have responded to this and volunteered to give Ukraine assistance in this complex period of its development.

We proceed from the fact that the existence of a stable, economically strong, democratic and independent Ukraine which has been integrated into the political and economic system of the world is in the long-term interest of the states participating in the conference and the world community as a whole. This is why we expect the decisions of this forum to open the implementation of a program for providing technical and financial assistance to Ukraine and ensuring greater access to the world market for Ukrainian goods. In this regard, I would like to refer to the productive results of my visit to Canada, which is ending today and the signing of exceptionally important economic agreements with the Canadian Government.

As is known, the program of in-depth market transformations which we have developed has been coordinated by the Ukrainian Government with IMF experts. A number of specific projects for assistance to Ukraine have also been developed, in particular, projects in the area of reforming the financial sector and the banking system; the power industry, including the clean-up following the Chernobyl catastrophe; protection of the natural environment; conversion of military production; incentives for the agrarian sector; expansion of the pharmaceutical-producing capacity in Ukraine; personnel training and retraining; programs and projects for technical and consultative assistance; and programs for social protection of the population in the environment of the introduction of market mechanisms.

Issues of the introduction of the program of macroeconomic stabilization which has been coordinated by the Government of Ukraine and the IMF were ultimately approved by the Board of Directors of this authoritative organization yesterday. They have also gained approval

and support from our immediate neighbors, especially Russia, which also displays understanding for our economic problems as our main economic partner. The reform program envisions the liberalization of trade and price policy, the privatization of state enterprises through an appropriate broad-scale program, the creation of a legislative base for the market economy, and ensuring financial stability by way of reducing the budget deficit and pursuing a clear-cut and balanced monetary and credit policy. In this reference I would like to note that a number of fundamental steps toward the actual accomplishment of these tasks have already been taken recently. At issue are the latest decisions on introducing the liberalization of prices, including those for grain and energy resources, liberalizing foreign economic operations, unifying the exchange rate, and providing advance targeted social assistance for the population.

We hope that the Winnipeg conference will become a continuation of the Naples initiative of the G-7 states with regard to assistance to Ukraine.

Few people doubt that such steps taken by the world community will have a great economic impact on the development of events and success of the reforms not only in Ukraine but also in other postcommunist countries. They will become testimony to the actual support from Western countries for complex market-oriented transformations and real democratization in all spheres of the public life of these countries.

I would also like to lay the ultimate emphasis on the fact that for us it is extremely important and necessary for such support from the world community to be provided to Ukraine simultaneously with the implementation of market-oriented reforms, rather than later, with a view to stabilizing the Ukrainian economy and its subsequent development. Each dollar that actually reaches us today is worth tens and perhaps hundreds of dollars which we will be able to use to develop our economy in the long run, including at the expense of private capital.

It would also be desirable to obtain special-purpose financing for specific projects which have priority significance in the process of implementing reforms. This has to do with stabilizing the financial system, overcoming the balance-of-payments deficit, implementing projects in the energy sector, projects of restructuring in industry, conversion of production, as well as the extensive inclusion of Ukraine in developing trans-European transportation and information networks.

Besides, in the immediate future Ukraine intends to introduce a new national currency (the hryvnya) and is applying for assistance in ensuring support for the regimen of introducing the new monetary unit in the form of a stabilization fund.

Once again, I stress that I understand well that the future socioeconomic development of Ukraine, as well as its mutually advantageous commercial and economic relations with the countries of the world, hinge on the path of

sociopolitical development on which Ukraine embarks rather than the political will of these states and the desires of international financial organizations. I would like to assure the participants in the conference of my ultimate confidence that we have embarked on this path. We will not abandon it. We have already switched from unceasing talk about reforms to deeds, to actually conducting these reforms.

Undoubtedly, financial assistance from the international community will provide actual support for these steps. In conjunction with this, I count on your understanding of the fact that Ukraine certainly needs financial assistance both until the end of the current year and in 1995 in the amount of almost \$6 billion. It is precisely such an amount of credit that can be the most effective according to our calculations, which have been coordinated with the International Monetary Fund.

We expect the conference to work out a specific mechanism for Ukraine's access to international financing and the use financial assistance:

- stabilization credit from the International Monetary Fund;
- a rehabilitation loan from the World Bank;
- obtaining financial resources to support the balance of payments with assistance from the International Monetary Fund and the World Bank;
- the stabilization fund of the new national monetary unit;
- financial resources for carrying out the restructuring of the power industry, implementing comprehensive energy-saving measures, eliminating the consequences of the Chernobyl catastrophe, improving the safety of our nuclear reactors, and alleviating the energy crisis.

Ukraine also counts on participants in the conference facilitating a solution to the problem of restructuring Ukraine's foreign debt, unfreezing existing credit lines, and coordinating the schedule for meeting debt obligations.

At the same time, the Government of Ukraine expects the participants in the conference to facilitate the process of Ukraine joining the GATT and its admission to the World Trade Organization by providing the necessary technical, consultative, and other assistance to this end with a view to eliminating barriers to Ukrainian exporters and restrictions on the entry of goods from Ukraine to foreign markets.

In turn, Ukraine is aware that such assistance from the world community may only be provided on condition that all export restrictions are canceled, prices and domestic trade are liberalized, the budget deficit is actually reduced, a monetary and credit policy in line with a low rate of inflation and a stable exchange rate is implemented, and privatization occurs. As I have stated, we have already taken substantial steps in this direction.

In particular, broad-scale price liberalization has been carried out and the issue of introducing a unified market-based exchange rate has been resolved. The National Bank of Ukraine made an appropriate decision on this on 24 October. It will become possible to substantially enhance this policy by drawing on financial support.

In particular, we are planning to substantially speed up privatization. Most small enterprises will be privatized before the end of 1995. The pace of the denationalization and privatization of medium-size and large enterprises will become rapid. In 1995 more than 8,000 such enterprises will be privatized.

A presidential edict on substantial acceleration of land reform will be issued shortly. We have proclaimed a course toward the introduction of private ownership of land as the foundation for agrarian transformation. Effective measures will be taken to restructure the management of the economy, strengthen commercial banks, develop the stock market and small business, support middleman activities, strengthen national capital, train personnel for a market economy, and assert a psychological environment favorable for market transformations. On the whole, we are planning to conduct an entire string of reforms, and we are convinced that given the consistent and resolute conduct of the economic policy set forth by us, Ukraine can become a creditworthy state.

As far as the further intentions for cooperation between Ukraine with the G-7 states, Russia, Turkmenistan, and the financial institutions are concerned, Ukraine attaches its hopes to the firm, consistent development of these relations in the course of the planned subsequent meetings between the donor countries and representatives of Ukraine.

Esteemed participants in the conference, I am profoundly grateful to you for your attention and understanding of the problems of a real transformation of the economy of Ukraine, and I hope for effective support from you

I wish you fruitful work.

Thank you for your attention.

Masol Fields Media's Economic Queries

954K0333B Kiev URYADOVYY KURYER in Ukrainian 1 Nov 94 pp 1-2

[Interview with Prime Minister of Ukraine Vitaliy Masol by unidentified correspondents of URYADOVYY KURYER, Ukrainian Television, and Ukrainian Radio, on 29 October, place not given: "Three Questions to the Prime Minister"]

[FBIS Translated Text]

[Ukrainian Television] The new high prices and rates for goods and services which are being introduced are the most topical for a majority of the people. Representatives of the government have already commented for the

press on these price measures. However, we would like to hear from you whether the things the government is doing will suffice to protect the population against the onslaught of prices. Many people doubt this....

[Masol] I would like to say that there were certain grounds, both objective and subjective, for raising prices and, accordingly, indexation. Objective grounds include a large deficit of the state budget and the indebtedness of Ukraine for energy resources, primarily gas, which the population also uses. At present our debt to Russia comes to \$1.7 billion, to Turkmenistan—\$1 billion. Large subsidies were provided to some state enterprises. Among subjective factors, we should refer to the repeal of regulated exchange rates, the admission of our state to the International Monetary Fund, and the adoption of a stabilization program. To be sure, during the first nine months of this year prices for energy resources did not grow; the population paid insignificant amounts for them, and the state accumulated the debt. On several occasions Russia and Turkmenistan demanded that the debts be paid, suspending or restricting the volume of gas deliveries. For this reason it was resolved to raise rates for energy resources and index wages. This is a very difficult matter, and we cannot say that compensation through wages is fully in line with new prices. I endorsed a draft edict of the president on increasing the tax-exempt minimum to 780,000 karbovantsy, i.e. the subsistence minimum. In this manner we will be able to mitigate difficulties somewhat. Besides, we have removed the upper limit of income tax on wages. However, wages are supposed to grow only on condition that the volume of sales improves. We touched on these issues during my latest trips in Ukraine, at meetings with leaders.

Therefore, if we provide conditions for a more rapid and intensive functioning of production, employee incomes will also increase. However, if production continues to fall, life will not improve.

[Ukrainian Radio] You are saying that the standard of living of the people cannot be improved without increasing the volume of production. Is the government planning any relief for producers so that they will have an opportunity to work more effectively? How can the nonpayment crisis, which is one of the factors in the deterioration of the economic situation, be overcome?

[Masol] The position of the government is that it will protect the producers. Such will be our strategy. We have submitted for consideration by the Supreme Council a draft decision on changes in taxation with a view to improving motivation for work. A profit tax will be introduced, and the value-added tax will be reduced from 28 to 20 percent.

New procedures for the calculation of producer cost will be approved very shortly. At present, enterprises can take out credit at a bank at any rate of interest and include everything in producer cost. I believe that this is impermissible. Therefore, according to new procedures

only 50 percent of the refinancing rate of the National Bank will be included in producer cost, and the rest will come out of profits.

A few days ago the president signed an edict abolishing prepayment for consumer cooperatives, but I think that this will soon be decided with regard to our entire domestic distribution of goods, because at present prepayments merely worsen the situation in the economy because they give the banks an opportunity to extend credit and make money by increasing prices for products. If prepayments are abolished, extension of credit between enterprises will be practiced. However, unlike bank credit, it will be interest-free and will not fuel inflation.

There also is a list of the types of products for which a decrease in the tax load is planned.

[URYADOVYY KURYER] Vitaliy Andriyovych, during the latest business trips you have had a great number of meetings with managers of coal and metallurgical enterprises. Does the government intend to make any important decisions based on the outcome of these trips? Are you perhaps recommending that the president issue appropriate edicts or directives?

[Masol] Generally, I traveled in order to resolve certain organizational issues properly so that our industry would now indeed start operating. Many issues were brought up during the meetings. In particular the following problem: Metallurgists do not deliver blanks for pipe productions, enterprises manufacturing pipes come to a halt, and these blanks are shipped to the West for foreign exchange. The foreign producer is operating, while ours is forced to be idle. Therefore, some ministries need to work on the balance sheet of production and develop laws on taxes in order to provide incentives for production.

Resolution on Crimean Economic Situation

954K0398A Simferopol KRYMSKAYA GAZETA
in Russian 12 Nov 94 p 1

["Resolution of the Assembly for Consideration of the Economic Situation in the Republic of Crimea and Priority Measures To Stabilize It"]

[FBIS Translated Text] Having heard and discussed the report of A.R. Franchuk, prime minister of the Republic of Crimea, "The Economic Situation in the Republic of Crimea and Priority Measures To Stabilize It," the assembly observes that the economy of Crimea is in the most profound state of crisis. A particularly critical situation has come about in the agrarian sector. The overall shortfall in the harvest of agricultural products is in excess of 6 trillion karbovantsy. The decline in production in industry in nine months of the current year compared with last year constituted 30 percent, and in consumer goods, 35.3 percent. This process has assumed wholesale proportions since May of this year.

Operations in construction in the present year have declined by one-third; three times less housing per the program for the return of the deported peoples has been introduced.

There has been a considerable reduction in the amount of freight and passenger traffic. Whereas in past years more than 10 million persons came to Crimea annually, this year their numbers have been only 2.6 million.

Owing to the low pay, the number of vacancies for teachers, doctors, and other specialists is increasing, which cannot fail to be reflected in Crimeans' education and the state of their health.

Mortality has exceeded the birthrate, and the disability level in our republic is one of the highest in Ukraine.

There has been a sharp increase in crime in recent years. More than 23,000 crimes have been recorded since the start of this year alone.

The prices of all types of products are growing sharply, which is intensifying the crisis situation in the social sphere and lowering catastrophically the living standard of the population of Crimea.

The main causes of the current situation are the political instability, the lack of coordination of the actions of the Supreme Councils and the Governments of Crimea and Ukraine and the legislative and executive authorities, the absence of a clear-cut vertical line of collateral subordination in the activity of the government and the executive committees of the local councils, and the procrastination over the adoption of vitally important economic laws by the Supreme Council of the Republic of Crimea.

The depth of the economic crisis is connected to a certain extent with the negative influence of climatic conditions, the deterioration in the public hygiene and epidemic situation, and the extremely difficult water-consumption situation.

The assembly deems it essential to demand that the government and the Supreme Council of Crimea:

1. Intensify work on the realization of an open economy in Crimea. To this end:

prepare within two weeks a draft treaty on budgetary relations between the Governments of Ukraine and Crimea for 1995 providing, inter alia, for the separation of emissive funds;

bring to a justified minimum the payments collected from enterprises for various off-budget funds and create an efficient and public mechanism of operation;

draft and adopt before the end of this year:

the Law "On Banks in the Republic of Crimea";

the Law "On the Republic Bank of Crimea";

a tax code of Crimea;

laws and decrees of the Supreme Council and the government regulating taxation;

a law and program of privatization;

offshore legislation of Crimea;

a law on targeted subsidies for needy strata of the populace and a program of price liberalization;

revise economic and legal conditions stimulating the able-bodied part of the population of the republic to provision for the well-being both of themselves and the socially unprotected inhabitants of the republic;

devise an efficient mechanism of targeted subsidies;

submit proposals to the Cabinet of Ministers of Ukraine for the introduction of a simplified procedure of the licensing of export transactions with a gradual reduction in the list of export-restricted commodities;

introduce "smooth" bankruptcy conditions and provide for the privatization of publicly owned enterprises that are not capable of functioning without budget subsidies, with a guarantee of the full social protection of their employees here;

accelerate the introduction of land leasehold relations with a transition to rates of payment corresponding to world practice and introduce in 1995 systems of the indexation of payments for land. Effect reciprocal settlements between budgets in respect to payments for land occupied by military units and formations;

examine the plan agreed previously with Ukraine for the creation of a Crimean republic customs administration based on the current territorial customs administration;

accelerate the realization of the program for the fight against crime.

2. That the Government of Crimea:

support in full with resources the payments specified by the directive of the Governments of Ukraine and Crimea to employees of health care, education, and culture, retirees, the handicapped, and needy categories of citizens. Make provision to this end in the republic budget for 1995 for the formation of a reserve fund for the social protection of citizens;

provide for the realization of measures to fulfill the program of the resettlement of the deported peoples, decide social and everyday matters, and ensure employment in the national economy.

3. To request that the Supreme Council of Ukraine adopt a final decision on a division of property with Crimea, considering that all properties subject to privatization should be transferred to Crimea.

4. To deem it expedient to transfer jurisdiction of the State Property Fund to the government with its accountability to the Supreme Council of Crimea;

to entitle the Government of Crimea to adopt decrees on specific economic problems, having imparted to them the force of law, and to implement them on the territory of Crimea with subsequent confirmation by the Supreme Council of the Republic of Crimea.

5. That the Supreme Council and the Government of Crimea adopt on this resolution before the end of November of this year the corresponding decrees.

Franchuk Report on Economic Problems

954K3098B *Simferopol KRYMSKAYA GAZETA*
in Russian 12 Nov 94 p 2

[Report of Prime Minister A.R. Franchuk; place and date not given: "Evaluation of the Economic Situation in Crimea and Priority Measures To Stabilize It"]

[FBIS Translated Text] Esteemed Crimeans!

The state of affairs in our republic's socioeconomic sphere has for a certain time now been presented, as a rule, in somewhat embellished fashion with manifest and transparent hints at imminent positive changes in many areas. But no economic miracle has occurred.

For a whole number of subjective and objective reasons (you know what they are) the economy of Crimea is in a most profound state of crisis. The drastic decline in agricultural and industrial production and the deterioration in the state of affairs in all sectors of the national economy in the past three years, in the current year particularly, have severely shaken our economy, on which our well-being and our life, which are characterized by such factors as hunger, cold, and a total lack of confidence in the future, directly depend. What could be more dreadful than this situation?

In confirmation of what has been said, I would like to call your attention to the economic reference point at which we all find ourselves today. Whence our discussion must be serious, and the proposals of the speakers must be of a constructive nature.

I shall permit myself to break with the speech procedure that has taken shape traditionally and begin with those that feed us and with what we have at our disposal, going into winter.

So, the agro-industrial complex.

About 250,000 persons are employed in it in the republic. In the best years it constituted 55 percent of the gross income. Tens of thousands of excellent specialists and honest workers labor there, but today's situation that has come about in the countryside (not without the fault of the leadership of the Ministry of Agriculture and Food and the government) has driven this most important multisectoral complex to despair.

On top of all else the situation has been made worse by an unprecedented drought. And as a result (I beg your attention since I shall make the majority of the comparisons in figures):

the overall product shortfall in monetary terms is in excess of 6 trillion karbovantsy, and without their being rendered gratis financial assistance 135 kolkhozes and sovkhozes are not in a position to hold out until the 1995 harvest.

As of 1 November 175,000 hectares or 28 percent of the total area of winter crops had not been sown. Some 400,000 hectares of fall field and underwinter fallow, which constitutes 80 percent of the plan, had not been plowed.

The gross harvest of grain together with corn and rice constitutes 1.93 million tonnes. This is less by a factor of almost two than was obtained on average in the preceding five years.

Only 268,000 tonnes of grain against a government order of 650,000 tonnes had become a part of government resources from this year's harvest as of 1 November.

In order that we have sufficient bread up to the new harvest, 320,000 tonnes of wheat for food are required, whereas only 193,000 tonnes have been procured.

One of the most important tasks of the government today is to form food reserves with respect to bread, for which an additional 1 trillion-plus karbovantsy of budget credit of Ukraine are essential. The work has been done, the solutions have practically been found.

Some 80,000 fewer tonnes of vegetables, 76,000 fewer tonnes of fruit, and 105,000 fewer tonnes of grapes were produced compared with last year.

Animal husbandry is in a critical state. There has been a considerable shortfall in the quantity of products of this sector.

Animal husbandry is entering the wintering period with a provision with feed resources of only 42 percent, including a concentrated feed provision of only 28 percent.

Owing to the absence of feed and financial resources, many farms have been forced to drastically reduce the numbers of animals.

Compared with the same date of last year the numbers of cattle in the republic as a whole had as of 1 October declined 17 percent, including cows, 15 percent, hogs, 27 percent, sheep, 21 percent, and poultry, 30 percent. Unless we all adopt emergency measures to replenish the fodder base through cooperation with regions of Ukraine and Russia, the decrease in numbers over the winter will exceed 40 percent, and it would take many years to restore them.

Animal productiveness is declining sharply.

In nine months the per cow milk yield constituted only 1,630 kilos, which was 482 kilos fewer than last year's level. What has happened to our breeding? Esteemed scientists and stockbreeders! And this at a time when the per cow yields in West Europe constitute 8,000 kilos.

In the current critical situation the Government of Crimea demands that the Ministry of Agriculture and Food and the leaders of districts and kolkhozes and sovkhozes adopt all necessary measures to preserve the herd.

The production of meat at collective agricultural enterprises constitutes only 90,000 tonnes compared with 200,000 tonnes in 1990.

Milk production has declined by a factor of two.

Things are even worse when it comes to purchases of animal husbandry products.

Thus in the nine months supplies of meat to government reserves compared with the same period of last year declined 36 percent, and of milk, 41 percent. And in relation to 1990 these indicators have declined practically threefold, and the population of the republic has, correspondingly, grown by 200,000 persons. The wholesale decline in agricultural production and procurements has put the majority of kolkhozes and sovkhozes in a financial bind.

The farms' accounts as of 1 October contained only 87 billion karbovantsy, which does not allow normal economic activity.

The procurement organizations owe the kolkhozes and sovkhozes more than 350 billion karbovantsy for surrendered products.

The debts of the kolkhozes and sovkhozes constitute more than 1.5 trillion karbovantsy.

The decline in the production and purchases of plant-growing and animal husbandry products has had a negative effect on the work of processing industry. Thirty percent less than last year's level was produced in the nine months in the way of foodstuffs. The biggest decline in production occurred at the Simferopol Poultry Works and the Nizhnegorsk and Bakhchisaray canneries.

Some 85 billion karbovantsy have been allocated from the budget and various forms of credit totaling over 120 billion have been attracted to support procurements of fruit and vegetable products. It is essential to perform this work daily, not letting slip a single day.

To create the minimum reserve it is essential to purchase 4,500 tonnes of meat and 600 tonnes of dried milk outside of Crimea for a total of 212 billion karbovantsy. We do not possess such financial resources and have been forced to turn to Ukraine for financial assistance.

This means also that we should immediately end shipments of meat out of Crimea.

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In any event, the government will do everything possible to see that the publicly funded organizations—hospitals, schools, and kindergartens—be supplied with all essential products.

We consider as our priority measures in the agrarian sector:

the unconditional performance of a whole set of agricultural operations to support the harvest of 1995. It is necessary to this end to complete work on the sowing of winter crops and the lifting of the fall field and fallow areas, prepare the necessary quantity of mineral fertilizer and plant-protection agents, and lay in seeds for the sowing of the spring crops;

finding additional financial resources for the purchase of forage grain, formula food, dry pulp, and molasses.

Material and resource support for these measures in monetary terms will exceed 1.3 trillion karbovantsy.

A package of bills on privatization and land reform for an acceleration of the formation of the agro-industrial complex will be submitted for consideration to the Supreme Council of the Republic of Crimea as soon as possible.

A no less complex situation has come about in industry.

The overall decline in production in nine months of the current year constitutes 30 percent, and in consumer goods, 35 percent.

Leased enterprises are operating even worse.

A principal reason for this situation is the fact that the contracts that were concluded do not contain sufficiently strict conditions of the efficient use of the leased property. Supervision of compliance with them is unsatisfactory both on the part of the State Property Fund and the sectoral organs of administration.

Such major budget-forming enterprises as the Titan Association, the Kamysb-Burun Iron-Ore Works, the Kerch Voykov Foundry, the Zaliv Shipyard, and a number of others have reduced the volume of production considerably.

Of the 32 most important product types, an increase in production was achieved only in four.

Analyzing the work of industry, we must clearly identify the most acute problem—the state of production capital, the potential on whose foundation the production relations of today and tomorrow are built.

I have to speak with disquiet about the fact that in such leading sectors of Crimea as mechanical engineering and the production of building materials the increase in fixed capital has stopped altogether.

In the republic's industry as a whole the overall production capital renewal factor has for a long time been frighteningly low (5 or 6 percent).

Enterprises use for retooling and the replacement of fixed capital, as a rule, only depreciation allowances, which are negligibly small and do not exceed 2 percent of the value of the fixed capital. At the same time, on the other hand, its wear and tear is approaching 50 percent.

It has to be acknowledged with all candor that industry has been operating to a considerable extent in a product supply, not demand, mode. Tens of billions worth of unclaimed products have piled up at the warehouses of many enterprises. They are enormous in the light, chemical, and mechanical engineering sectors.

All this testifies to the unpreparedness of the majority of enterprises for operating under market conditions and, consequently, to the most dire financial straits, the verge of bankruptcy, of many of them.

A complex situation has taken shape in the sphere of capital construction, primarily on account of the sharp reduction in investments. In nine months of the current year the extent of completed operations declined by more than one-third compared with the same period of last year.

Practically all contract construction organizations and enterprises of construction industry have found themselves in a critical situation. The arrears of state clients for contract work that has been performed constituted 180 billion karbovantsy as of 1 October. Such vitally important facilities as purification installations in Saki and Staryy Krym, water works in eastern Bolshaya Alushta, and schools and kindergartens will not be introduced in this connection. An additional 1 trillion karbovantsy approximately are required to complete these projects.

The deteriorating state of affairs in capital construction over the past three years has caused a significant increase in incomplete construction, which is tens of times in excess of the amount of capital investments. The time has come for a decision to be made on each project.

The unpropitious state of affairs in the main sectors of the national economic complex could not have failed to have been reflected in the operation of transport.

Freight for shipment on all types of transport is not being presented in the former quantity, and a precipitous decline in volume is taking place: from 62 million tonnes in 1991 to 15 million tonnes in the current year.

Thus the extent of the shipment of freight by sea transport has declined eightfold, by motor transport, sixfold, and by railroad transport, more than twofold. The total number of passengers conveyed by all types of transport has declined from 376 million persons in 1990 to 196 million in the present year. This has been influenced primarily by the unstable political situation in Crimea.

Crimea's energy-supply situation has become considerably more complicated. With an overall need for electric power of 8.7 billion kilowatt-hours in 1994, our own stations are generating only 7 percent of the necessary amount, the rest coming from Ukraine's power system.

It is essential that the city and district council executive committees form special energy-supply commissions, provide for a revision of enterprise operating schedules, and secure a reduction in loads at peak hours.

A regime of strict economies in gas consumption is essential. The leadership of the Chernomorneftegas Production Association has been set the task of commissioning before the end of this November one further gas well to obtain additional fuel. The work is under constant supervision and will be completed this month.

All possible measures are being adopted at this time to ensure the continuous operation of the boiler houses and the normal functioning of the entire housing and municipal economy in the winter period.

The collapse in the main sectors of the national economic complex has been appropriately reflected in the situation on the consumer market.

We have food resources that are considerably below those of past years and lower than their minimum requirement.

Since the start of the year all enterprises of trade have sold the population commodities totaling approximately 10 trillion karbovantsy, which constitutes merely 65 percent in comparable prices compared with the corresponding period of last year.

Fewer basic foods were sold in physical terms—from 20 to 70 percent, depending on the product.

Thus since the start of the year supplies of meat products and milk for market allocations have declined by one-third, and of fatty products, by two-thirds.

Four thousand tonnes of fish commodities have been sold, which constitutes approximately 20 percent of the level of their sale and consumption of past years.

Difficulties with the supply of eggs, whose per capita production in Crimea was always considerably higher, arise periodically.

We have a right to expect greater results from the commercial structures when it comes to filling the consumer market.

We have to dwell, if only briefly, on the problem of consumer services. And it has to be acknowledged that consumer service is on the verge of collapse. The network of enterprises has declined 65 percent compared with 1990, and the numbers of people employed in this sector, by more than half. The activity of workshops for the repair of footwear, clothing, and intricate home

appliances has come to an end today in the majority of rural localities. Operating bathhouses, laundries, and dry cleaners are a great rarity.

The dynamics of retail prices are causing particular concern.

In nine months the prices in state and cooperative trade as a whole doubled. The price jumps were reflected particularly palpably in goods for children, together with the systematic decline in their production.

At the same time, on the other hand, personal incomes have risen by an estimated 40 percent merely. This testifies to a significant decline in the real living standard.

On 21 October the Cabinet of Ministers of Ukraine adopted Decree No. 733 "On Pricing Under the Conditions of Reform of the Economy," which confirms maximum factors and rates for the main types of energy resources and public utilities.

This will, understandably, entail an increase in the price both of food and nonfood commodities and also services.

A great deal of work has to be done in this connection to soften the price shock and for additional resources to be found in the budget for targeted subsidies for the needy category of the population.

Institutions of the social sphere are functioning under difficult conditions. The turnover of personnel and undermanning have assumed considerable proportions on account of the low pay and the lack of resolution of a whole number of urgent problems of the employees of health care, education, and culture. The order for textbooks has been fulfilled only 10 percent. The population and health-care institutions are being supplied unsatisfactorily with medicinal preparations. Along with the increase in mortality in Crimea there has been a sharp decline in the birthrate. The disability rate in our republic is one of the highest in Ukraine.

All these circumstances demand of the government the adoption of emergency measures for the social protection of the populace, primarily retirees, students, and other categories of needy citizens.

The structural reorganization of the republic, the conversion of production, the development of privatization, and the reorganization and liquidation of inefficient, unprofitable enterprises could signify the mass layoff of employees. The numbers of the unemployed able-bodied population could have reached 30,000 and more by the end of the year.

We consider it our duty under these conditions to adopt exhaustive measures to ensure employment guarantees for employees when there is a change of ownership, privatization, and bankruptcy.

The Ministry of Finance is instructed to form a general package of proposals for the accumulation of the necessary financial resources for targeted assistance in connection with the process of price liberalization and the corresponding assistance in the preservation of jobs.

The deterioration in the economic and social sphere has been reflected to a considerable extent in the state of the crime situation.

The criminal world has become noticeably more active. The response to the legitimate actions and demands of officers of the law enforcement authorities increasingly often is gunshots, as a result of which the number of those killed and wounded is growing. More than 24,000 crimes have been recorded in the republic in 10 months of this year.

It is essential to speed up the adoption by the Supreme Council of a crime-fighting program. And that everyone embark on its realization.

The problem of the return of the deported peoples and helping them fend for themselves is one of constant urgency for our republic. Approximately 240,000 Crimean Tatars and also approximately 12,000 Armenians, Bulgarians, Greeks, and Germans have returned to Crimea as of this time.

To alleviate the repatriation process it is essential to concentrate efforts on the accomplishment of the following tasks:

- to draft and realize the corresponding legislative and normative acts securing the rights of the deported citizens;

- to create approximately 45,000 jobs with regard to the production potential of the specialists;

- to take maximum account of the interests of this category of citizens when undertaking privatization;

- to accelerate the creation under the auspices of the Government of Crimea of a repatriation council, whose main mission would be the coordination of the work of all state authorities and grassroots organizations on this range of issues;

- to create interethnic relations departments in the structures of the city and district council executive committees.

It is impossible to tackle the above problems without an improvement in the state of affairs in the budget and credit sphere.

Unfortunately, it has to be affirmed that the possibilities of the Law of Ukraine "On Delineation of Authority Between the Organs of State Power of Ukraine and the Republic of Crimea" and the Agreement on Budget Relations Between the Governments of Ukraine and the Republic of Crimea for 1994 have not been realized.

As a result many types of budget revenue are below the planned and nonindexed values. There has been a shortfall in the receipts of value-added tax, excise tax, and local taxes and dues. Personal income tax is being

attracted to the budget only with great efforts. Its collection since the start of the year has constituted 50 percent of the prescribed amount.

The growth of the crisis phenomena has created a serious problem for fulfillment of the budget in terms of expenditure this year. Actual revenues have permitted the funding of only 81 percent of minimum budget expenditure requirements. In this connection there remained as of 1 October of this year an indebtedness to the publicly funded institutions and organizations in Crimea as a whole of over 1.7 trillion karbovatys.

Of the sum total of short-term bank credit, payments past due constituted one-fifth as of 1 October. The amounts of loans not paid off on time almost doubled in the third quarter alone and constituted over 830 billion karbovatys.

Enterprise arrears to suppliers in the last quarter grew 31 percent and constituted 2.5 trillion karbovatys.

Priority measures for reform of the economy and the accomplishment of urgent national economic tasks.

The surmounting of the socioeconomic crisis in the republic is possible only on condition of the realization of urgent measures and the implementation of radical economic reforms.

The measures planned by the government are geared:

1. to the structural reorganization and revitalization of all sectors of industry on the paths of transition from supply-side economics to demand-side economics and state support for enterprises satisfying public requirements and for the industries whose technical and intellectual potential could increase Crimea's export possibilities;
2. an increase in the efficiency of the use of available resources and fixed capital and the gradual winding down of unpromising works combined with social protection of the employees;
3. a reform of the tax system;
4. a reform of property relationships;
5. a reform of land relationships;
6. the development of enterprise;
7. the resumption and expansion of the investment process;
8. the development of the commodity and financial markets and also the securities market and on this basis
9. the realization of social programs.

The particular features of the implementation of reforms in Crimea amount to the need for the preliminary determination of the powers of our republic and an efficient mechanism of their phased expansion. The sole

practicable conflict-free version of a solution of this problem are treaty relations between Ukraine and Crimea in the economic sphere.

A principal reform planned in Crimea is undoubtedly the reform of taxation. It is planned to perform this work in the following areas:

- a phased lowering of the level of taxes and optimization of the tax system. A lowering as of 1 January 1995 of the rate of value-added tax;

- a priority reduction in taxes designed to stimulate the development of sectors with a rapid turnover of capital. The abolition of VAT on imported commodities brought in by our trading enterprises through Crimean customs may be attributed to these measures also. This will make it possible to stimulate wholesale trade, revitalize the transport infrastructure, and create new jobs;

- experiments in 1995 on a profound reform of tax relationships in respect to individual groups of enterprises;

- the granting of privileges in the taxation of profit channeled into the development of production and the upkeep of facilities of the social and cultural sphere;

- a transition from the system of the levying of taxes on the incomes of the citizens to a system of the citizen's individual payment of these taxes.

At the same time, on the other hand, a tightening of the public funding practices by way of the careful expert study of the submitted programs, estimates, and calculations and the establishment in planned fashion of the phased reduction of ineffective subsidies and budget expenditure are envisaged.

For example, this year Crimea received over 2.6 million vacationers. Merely on account of the imperfect system of bread subsidies our budget spent on the vacationers more than 8 billion karbovantsy, which could have been channeled to the needy.

Subsequently the government intends to revise the system of subsidies from the budget, channeling its funds not into organizations producing food products or rendering municipal services but to the citizens in need of subsidies directly.

The government intends to present a legislative initiative on the Supreme Council's adoption of a tax code of Crimea.

It is also necessary to reduce to a justified minimum the payments levied on enterprises for various off-budget funds (employment, the needy, and such) and to create an efficient and public mechanism of the operation of these funds and a dependable system of supervision of their use.

The government sees as the main form of land relationships a lease for various lengths of time with the transition to rates of payment corresponding to world practice.

This will compel the return to state land reserves of land that is being used inefficiently, which, in turn, will make it possible to tackle the problem of the allocation to Crimeans of land for the construction of housing and the development of farming without the breakup of the current forms of agricultural production.

Both a system of the indexation of land payments and a ramified system of privileges for citizens of Crimea and its commodity producers will be introduced in the very near future.

The new rates of payment for the land should be applied in full in respect to land that is not used in the sphere of material production or for the needs of the citizens. The extent of the land resources that are not currently engaged is illustrated by the following figures:

- military units alone occupy approximately 90,000 hectares of land. The charge for this land levied at rates corresponding to its actual value could cover with interest the possible budget deficit at the time of the most radical tax reforms. It is essential here to sweep away immediately all political speculation on this topic.

We are raising the question not of payments being made by the military units but of reciprocal settlements between budgets.

Another realistic source of replenishment of the budget is the introduction of dual tax legislation: traditional, about which we were speaking earlier—for Crimean subjects of economic activity (residents)—and offshore—for nonresidents.

This would make it possible to attract external financial flows to Crimea and, consequently, to have a new source of tax receipts, create new, high-paying jobs, and accelerate the formation of the infrastructure of the market.

The government reform program provides also for an improvement in credit and monetary relations and the further development of the banking system.

The draft laws of Crimea "On Banks in the Republic of Crimea" and "On the Republic Bank of Crimea" have been prepared. Their realization will make it possible to attract additional, including foreign, capital and to increase the returns from the current banking structures.

It will be necessary very shortly to submit laws on property and leasing and the program of privatization for discussion by the Supreme Council. But all arguments on this topic are pointless prior to the solution of the question of the division of property between Ukraine and Crimea. Our position on this matter is that all properties to be privatized should be transferred to

Crimea and that property-by-property negotiations should be conducted only in respect to the remaining property.

Privatization may and should proceed only on condition that its purposes and methods are comprehensible to all and provided that public accord is achieved. All this will require intensive organizing work on the part of the government.

The legislative formalization and extensive introduction of mortgage lending, primarily in the sphere of housing construction, is contemplated for the start of 1995. A decree of the Government of Crimea on delineation of the rights and powers of the organs of state administration will have been developed and adopted before the end of the current year. We firmly intend simultaneously via contracts with the leaders of enterprises, farms, and organizations to restore the manageability of the public sector and to clearly determine the criteria of an evaluation of the operation of enterprises and the efficiency of the use of state property.

The reforms planned in Crimea will require the understanding and support of the president, the Supreme Council, and the Government of Ukraine.

You know that at the request of the Supreme Council and Government of Crimea a working group of the Cabinet of Ministers of Ukraine was in our republic 24-25 October and that on the results of whose work a joint protocol was signed reflecting, specifically, a solution of the following questions:

provision of the cities of Yalta and Alushta with drinking water;

assistance in the performance prior to 1 December of work to transfer water from the upper reaches of the River Alma to the Izobilnenskoye Reservoir;

the planning and construction of a complex of water mains for supplying 20,000 cubic meters a day from the Vilinskoye pool to the Zagorskiy hydrosystem of the city of Yalta;

the construction of the first stage of the Solnechnogorsk Reservoir;

compensation for loss paid to construction organizations for work in connection with the preparations for winter;

the allocation of funds for the purchase of fuel for the 1994-1995 season;

the allocation of funds for 1995 for the completion of the construction of sewage purification installations in the cities of Saki, Simferopol, Staryy Krym, Bakhchisaray, and Kerch;

the allocation of funds for the purchase of specialized motor transport for an improvement in the sanitation of localities of Crimea.

The following items are included for the accomplishment of tasks pertaining to the surmounting of the consequences of this year's drought:

concerning an extension for two years of the time of the repayment of loans issued agricultural enterprises that had suffered from the drought;

concerning the allocation of gratis assistance to the kolkhozes and sovkhozes and also soft loans at 35 percent up to 1 September 1995 with their direction into urgent work for the completion of the sowing of winter crops and additional feed purchases;

concerning an extension of the time for the repayment of credit and the postponement of the clearance of treasury credit issued as an advance payment to the commodity producers for grain;

concerning the allocation of soft loans for seed purchases.

Together with this we will study questions of the close economic cooperation of our republic and regions of the Russian Federation, Kazakhstan, and the Baltic countries.

But we understand that the measures adopted by the government can only improve the situation partially. If there is inaction locally, on the farms, at enterprises, and in organizations, there will be no change in the state of affairs.

The drafting and, most important, realization of "self-rescue" plans, therefore, is the principal component of all programs or a set of measures for stabilization of the economic situation in the work force.

I do not believe that any firm recommendations may be imposed here since the sickness of each enterprise and farm is individual.

At the same time, on the other hand, the sectoral ministries and state committees are instructed to conduct within the next two months a thorough analysis of all financially unstable enterprises, organizations, and farms and to make an evaluation of the work of their leaders from the viewpoint of their business qualities and capacity for leading the work force onto the path of steady work. Decisions on the expediency of the conclusion or extension of contracts with them will be made on the results of the analysis no later than January-February 1995.

All the above is geared to the assurance of basic social guarantees for Crimeans.

I believe that the work on the reform of all spheres of the economy providing for the realization of a set of measures of a political and organizational nature will produce results only with the harmonization and unity of actions of the central and local authorities of Crimea and the obligatory support of all constructive political forces of our society.

Economics Ministry on Bread Prices

954F0394A Simferopol KRYMSKAYA GAZETA
in Russian 22 Nov 94 p 1

[Commentary by the Crimean Ministry of Economics on liberalization of bread prices in effect since 21 November 1994: "Based on Real Costs"]

[FBIS Translated Text] Since the beginning of the year and until the October increase in prices and tariffs, as well as in procurement prices for raw materials, bread and bakery items were being produced at a loss.

Over nine months of the current year, more than 150 billion karbovantsy had been paid out of the budget to the bread-baking industry association and the Crimean Union of Consumer Cooperatives, to compensate for the losses.

In October, and then in November 1994, fuel and energy prices in Ukraine were increased by many times; procurement prices for grain, as well as wholesale prices for flour, energy resources, and auxiliary materials also were increased sharply.

The real economically substantiated costs of producing 1 kg of bread increased in this connection to 12,000 karbovantsy.

The total average daily production of bread sold to the Crimean population (excluding the city of Sevastopol) amounts to 583 tonnes of bread and bakery items.

If the current retail prices were left unchanged, bread-baking enterprises would need a subsidy of 5.7 billion karbovantsy a day, or 170 billion karbovantsy a month. The budget does not have this kind of money, since its revenue target is currently being met to the extent of 80 percent. This means that financing for health care, education, culture, and law enforcement organs would have to be reduced by this amount.

Neither should it be overlooked that considerable quantities of bread are being purchased by citizens as cattle feed, since bread prices make it considerably cheaper than grain, flour, and feed concentrate.

This is evidenced by the fact that in some regions (during off-season periods) the data on production and sales of bread by local bakeries indicate that the per capita bread consumption exceeds 1.3-1.5 kg a day, with the normal consumption formed over a number of years being 300 g.

Thus, it has become necessary to set bread prices on the basis of real costs of producing and selling it.

Before undertaking such a step as liberalization of bread prices, the government had to make sure that these prices would be relatively affordable for low-income population groups. With this goal in mind, the government adopted the decree No. 574-r "On Targeted Bread Subsidies for the Low-Income Population of Crimea," dated 15 November 1994, which, in addition to all

envisaged targeted social protection payments and compensations, envisages additional payments of monetary allowances from the Crimean Republic budget to low-income citizens, with the amount varying with per person income: Those with income up to 240,000 will receive allowance in the amount of 150,000 karbovantsy a month; those with income between 241,000 and 780,000—90,000 karbovantsy; and those with income between 781,000 and 1 million—60,000 karbovantsy a month.

These allowances are paid in addition to the 170,000-karbovantsy allowance envisaged by the Ukrainian Cabinet of Ministers as compensation in connection with retail price increases, provided that the aggregate per person monthly income does not exceed 780,000 karbovantsy.

Since the low-income line for targeted allowances for bread was raised by the Government of Crimea to 1 million karbovantsy exclusive of other targeted allowances and compensations, practically all pensioners and up to one-half of the labor force in the national economy are eligible for targeted bread subsidies.

The Government of Crimea's decree No. 288 "On Prices for Bread and Bakery Items," dated 17 November 1994, sets bread prices as an economically substantiated baseline. In the future, as factors arise that cause the cost of products to increase for reasons not associated with enterprises' economic activities, adjusted bread prices will be declared (coordinated) in city and rayon executive committees. The declaration procedure will be drafted by the Ministry of Economics and sent to all city and rayon executive committees.

Changing bread prices is a forced measure, and it is not possible for Crimea to maintain old bread prices both for the reasons enumerated above and also because in the current year Crimea has only enough of its own grain to meet 81 percent of the need, and receives 93 percent of electricity and 65 percent of gas from outside Crimea at centrally set prices and rates.

For reference: In all other regions of Ukraine unregulated bread prices (on average 13,000-15,000 karbovantsy per loaf) are in effect since the first days of November of this year.

Presidium Focuses on Relations With Ukraine

954F0402A Simferopol KRYMSKAYA PRAVDA
in Russian 23 Nov 94 p 1

[Article by O. Volodin: "Less 'Strong' Verbiage. More Fine Diplomacy"]

[FBIS Translated Text] The 17 November decree of the Ukrainian Supreme Council envisaging the repeal of 40 legal acts of the Crimean legislation found to be in conflict with the Ukrainian Constitution and laws could not fail, of course, to affect the work of the Republic of Crimea's legislative and executive authority.

And although the Ukrainian parliament's decision was not specifically discussed at the meeting of the Crimean Supreme Council's presidium on 21 November, the discussion of practically each item on the agenda was conducted from the angle of legal relations between Kiev and Simferopol.

Take, for instance, the Republic of Crimea's draft laws "On Local Councils" and "On Elections of Deputies and Chairmen of Rural and City Councils," which the Crimean Supreme Council's presidium did recommend to bring to the consideration of the second session of our parliament (which will begin work on 30 November), but only in the first reading. The point is that analogous laws are being readied in the Ukrainian parliament as well, and therefore it would be best to avoid the future potential discrepancies and additional arguments.

It is not accidental that in his speech at the meeting, A. Senchenko, first deputy prime minister of the Crimean Government, after informing members of the Crimean Supreme Council's presidium on the progress in developing the government plan of reforming the Crimean economy, named as nearly the most important item... the art of diplomacy. The time has come today to clearly define the boundaries of the Republic of Crimea's authority, the economic regime in which should, of course, differ from other Ukrainian regions. And the Crimean leaders, who set economic reforms as their goal, are more concerned not with the fact of the Ukrainian Supreme Council repealing acts that are declarative, void of real content, like, for instance, the Declaration of Crimean State Sovereignty, as they are over the fact that the official Kiev ban may also encompass a number of important Crimean laws, which could replenish our budget not several years later but right now. The items in question are the right to a republic's own banking system, tax and customs services, which is envisaged by the law on the delineation of authority between Crimea and Ukraine.

Despite the current quite strained relations between the two parliaments, there are, however, a number of encouraging points, which allow us to look into the future with optimism. We learned that on the eve of his visit to the United States, President of Ukraine L. Kuchma in a telephone conversation with Crimean Prime Minister A. Franchuk promised to facilitate in every way possible the implementation of plans on creating Crimean free economy.

As to the Ukrainian Supreme Council's 17 November decree, S. Nikulin, chairman of the deputy commission on state organizational development, legislation, and law and order, remarked that "in the current situation it is practically impossible to disband the Crimean Supreme Council by a willful decision from the top."

Summarizing the results of the meeting, Crimean parliament chairman S. Tsekov said that his deputy corps colleagues should react to this particular step on the part of

Ukrainian legislators calmly, without unnecessary emotion. We have to gear ourselves up for long and painstaking work on reconciling Crimean and Ukrainian laws. It is clear, however, emphasized S. Tsekov, that the Republic of Crimea's positions in this negotiations process will be strong only if all branches of authority in Crimea consolidate their efforts, and this includes the Crimean parliament deputies. Judging by the stormy events of the past fall, however, such unity is long way away.

Economic Official on Crimean Issues

954F0402B Simferopol KRYMSKAYA PRAVDA
in Russian 23 Nov 94 p 1

[Interview with Rafik Nikogosyan, deputy chairman of the Crimean Supreme Economic Council, by O. Volodin, under the rubric "A Topical Interview"; place and date not given: "Economist on Politics"]

[FBIS Translated Text] My interlocutor is Rafik Surenovich Nikogosyan—a well-known entrepreneur, deputy chairman of the Supreme Economic Council, created under the Crimean Supreme Council's presidium with the aim of curing the gravely ill Crimean economy by real market reforms.

The crisis in the economy continues, however, and there are still no reforms. This regrettable fact compelled economist R.S. Nikogosyan—who says that he had always put economics ahead of politics—to share his thoughts regarding the political situation in Crimea and, in particular, in the Crimean parliament.

[Volodin] There is probably no region in the expanses of the former Soviet Union today where economists do not accuse politicians of standing in the way of their work. And this paradoxical situation, in principle impossible in any normal society, is the best indicator of the—to put it mildly—imperfection of our current existence. So it looks as though here in Crimea politics interferes with economics too, does it not?

[Nikogosyan] With one qualification—quite often what we call by the noble word "politics" is in fact petty politicking and cheap demagoguery of the populist kind. Do not some Crimean Supreme Council deputies, who talk so much about their concern for the people and Crimean statehood, understand, for instance, that by their practical actions they only exacerbate the already difficult situation of the people and chop at the root of Crimean statehood?

For eight months Crimea lived practically without a capable government, but when such a government was finally formed, the parliament radicals close to the president immediately began putting spanners in its wheels. I am not saying that A. Franchuk's government is ideal in composition and abilities. It could not be so, since it was formed of representatives of different parties as a coalition government. This makes it even more imperative for the government to have the support of legislators whose task is to provide the reliable legal

grounds for implementing reforms in Crimea. But apparently some deputies consider lawmaking work too burdensome for them. At the same time, they are happy to utilize the parliament floor to settle accounts among themselves and between individual factions (of which there are already seven in the Crimean Supreme Council!), for perpetuating confrontation between the parliament and the government, between Crimea and Ukraine, and so on.

Even the well-known Crimean Supreme Council's message to the president and the Ukrainian Supreme Council, whose style resembles more the famous letter of Zaporozhye Cossacks to the sultan, took three days to adopt in our parliament, and with great difficulty! At the time when representatives of our executive branch are conducting difficult negotiations in Kiev on emergency allocation of money to Crimea to deal with the problems of food supply, drought, cold, etc., parliamentary jingoists are spoiling for a fight, swords drawn.... Let them tell us: Have they fed or kept warm even one family with their peripolitical demagoguery?

[Volodin] Do you question the very idea of Crimean statehood?

[Nikogosyan] On the contrary: I have always been and remain its stout supporter. And I was invited to work in the parliament in order to create economic preconditions for Crimea's revival, so that in the future we could spread our wings. That is why it is particularly upsetting for me to watch how nearsighted demagogues and political fortune-seekers discredit in every way the idea of Crimean statehood. Do we need the "Chechen version" of sovereignty? We have to say it straight, for the people of Crimea to know: If this winter the peninsula is going to be governed by two "branches of authority"—hunger and cold—it is not Franchuk's government that will be at fault but these sorry excuses for politicians who currently give a hostile reception to practically every sensible initiative of the new government. Those who stubbornly and cynically preach the principle: The worse the better. I am not afraid to say it: This is virtually sabotage.

[Volodin] We know that during the difficult postwar years in Germany and Japan their governments, trade unions, and political parties managed to work out a unified strategy of reforms. What is happening here in Crimea?

[Nikogosyan] As an economist I can classify the so-called post-perestroika years in Crimea as a time of lost opportunities. And it was not Kiev and Moscow, or Washington and Istanbul—it was our own bungling that has brought us into a demeaning position of a pauper region. Instead of empty political battles, we could have long ago saturated the meager consumer market. Look at shuttle-traders who buy an item in the neighboring Turkey, for instance, for 70 cents and sell it in Crimea for \$3. Could not our government manage to establish direct contact with companies that manufacture these goods, instead of

with middlemen? This way the market would be saturated, and prices would be considerably lower.

A smart customs policy alone could have easily closed the "hole" in the Crimean budget. Before talking about inflow of foreign capital into Crimea, we should learn to keep in the peninsula the foreign currency that is earned here. It is a known fact that \$2 billion "flows" out of Ukraine to foreign countries every month, and Crimea also makes its "contribution" to this undesirable process. Meanwhile, the entire annual budget of the Republic of Crimea equals approximately \$300 million.

We should not under any circumstances sell off the block our health resorts and large enterprises, which had been the emphasis of Saburov's privatization program. It is best to start the privatization process in Crimea with small enterprises: public catering, the municipal sphere, and so on. But in this too, instead of indulging in politicking, we should conduct normal negotiations with Ukraine on finally putting into effect the agreement on delineation of powers, to define the scope of our Crimean property, and persistently implement the reforms. We have to learn to search for a compromise, keeping in mind that there are today's tasks and tomorrow's tasks, and that without resolving the former we cannot hope to resolve the latter. In other words, Crimea's political independence cannot materialize without an economic base capable of supporting it. But we can only reform our economy together with Ukraine, Russia, and other CIS states, and definitely not in the environment of peninsula self-isolation.

January-September Economic Statistics

954K0314A Kiev URYADOVYY KURYER
in Ukrainian 27 Oct 94 p 4

[Report by the Main Directorate for Economic Reform Issues of the Cabinet of Ministers of Ukraine under the "Economy" rubric: "The Economy of Ukraine in January Through September 1994"]

[FBIS Translated Text] The economic situation in Ukraine remains strained. Production is continuing to fall in most sectors of the national economy; investment activity is winding down; the payment crisis is deteriorating; the deficit of the state budget and foreign debt, primarily that for energy sources, are growing. Prices for foodstuffs and services continue to grow, which is accompanied by a further decline in the living standard of the population.

At the same time, certain positive changes took shape in some elements of the national economy in the third quarter. The rate of decline in production compared to the previous quarters and the corresponding periods of last year decreased in a number of sectors, and the output of certain goods and provision of some services increased.

The national income produced over nine months fell by 19.8 percent compared to the corresponding period of 1993 (during the first half of the year—by 28.5 percent).

The volume of industrial production in January through September fell by 31.2 percent (during the first half of the year—by 36 percent). In August and September, growth was registered in the volume of production: In August, the output of industrial production grew by 3.9 percent compared to the previous month, and in September—by 10.4 percent.

Financial Condition of Enterprises and Organizations

Accounts payable by enterprises and organizations of Ukraine to economic agents from the countries of the former USSR have increased by a factor of 3.4 since the beginning of the year (in July, the rate of their growth came to 18.9 percent and in August to 14.8 percent). As of 1 September, accounts payable reached 42.4 trillion karbovantsy, whereas accounts receivable have increased by a factor of 2.2 and 12 trillion karbovantsy, respectively (in August, they increased by 33.8 percent, compared to a decrease of 6.3 percent in July).

Accounts payable by Ukrainian enterprises to trading partners from Russia grew by 15.4 percent in August, and by a factor of 3.9 in total since the beginning of the year (from 10.1 trillion karbovantsy as of 1 January to 39.2 trillion karbovantsy as of 1 September); to trading partners from Turkmenistan—respectively, by 3 percent, and since the beginning of the year accounts payable have dropped by 4 percent (from 1.2 trillion karbovantsy to 1.1 trillion karbovantsy).

The volume of accounts payable by enterprises and organizations of Ukraine among themselves during the first eight months increased by a factor of 2.4 (in August by 2.7 percent, and in July it fell 10.6 percent). As of the beginning of September, the volume of accounts payable came to 307.7 trillion karbovantsy. The volume of accounts receivable grew by a factor of 2.6 and 254.1 trillion karbovantsy, respectively (in August, it fell by 0.6 percent, and in July it grew by 3.5 percent).

Total overdue accounts payable by enterprises and organizations in mutual settlements and on bank loans increased by a factor of 6.9 between January and August (in August by 3.8 percent and in July by 16.1 percent). As of 1 September, such accounts came to 86.8 trillion karbovantsy. Out of this, indebtedness in mutual settlements between enterprises and organizations accounted for 61.9 trillion karbovantsy (71.4 percent), and overdue repayment of bank loans accounted for 24.9 trillion karbovantsy (28.6 percent).

Inflationary Processes

According to preliminary data, wholesale prices for industrial products have increased by a factor of 2.1 since the beginning of the year (in September, they increased by 10.8 percent compared to August). This includes the growth of wholesale prices for the products of the fuel industry by a factor of 2.8 (by 13.4 percent, respectively), and within it, the growth of wholesale prices for the products of the coal industry by a factor of

8.4 (by 1.5 percent), ferrous metallurgy by a factor of 3.9 (by 10.5 percent), the construction materials industry by a factor of 2.3 (by 10 percent), machine building by a factor of 2.4 (by 7.3 percent), light industry by a factor of 2.6 (by 13.5 percent), food processing by a factor of 1.9 (by 18.9 percent), the meat industry by 18.9 percent (by 1.3 percent), and the butter, cheese, and dairy industries by 13.9 percent (by 1.4 percent).

Between January and September, procurement prices for agricultural products grew by 22 percent, including increases in prices for cattle and poultry and milk and dairy products by 36 percent and for eggs by 9 percent. Compared to August, prices for agricultural products increased by 11 percent in September, including increases by 3 percent in prices for milk and dairy products, by 2 percent in prices for cattle and poultry, and by 21 percent in prices for eggs.

In the third quarter of this year, prices for construction and installation work grew by a factor of 3.9 compared to the fourth quarter of last year, and compared to the second quarter of 1994 by a factor of 1.2.

The cost of freight carriage by rail has increased by a factor of 1.7 since the beginning of the year, and by motor vehicle transportation by a factor of 1.4. Passenger fares in public-use transportation have been raised by a factor of 3.7.

In September, the index of inflation on the consumer market came to 107.3 percent (in August, 102.7 percent).

Market of Consumer Goods and Services

Compared to the corresponding period of last year, the output of consumer goods fell by 33.1 percent in the first nine months, including a drop by 46.4 percent in non-food goods (in January through August, by 35.5 and 47.7 percent, respectively).

The production of goods by the enterprises of light industry fell by 59.8 percent. The output of fabrics fell by 54 percent, including a decline in the output of silk fabrics by 71 percent, of woolen fabrics by 62.4 percent, of cotton fabrics by 43.5 percent, of flax fabrics by 29.9 percent, of apparel by 66.3 percent, of hosiery and knitwear by 46.3 and 59.2 percent, respectively, and of footwear by 66.7 percent.

It should be noted that the sale of products of light industry has improved somewhat as a result of the allocation of credit in the amount of 1.4 trillion karbovantsy to the trade sector. The inventories of finished products at the warehouses of 250 enterprises (33.4 percent of the total number) fell by 0.4 trillion karbovantsy, or 14.5 percent.

The production of an overwhelming majority of goods for cultural, consumer and household uses, especially of sophisticated household appliances and electrical devices, fell due to difficulties with the sale of finished products which have been brought on by a decline in the

purchasing power of the population, a shortage of working capital at enterprises, as well as the absence of materials and accessories. Thus, compared to the January through September period of last year, the output of TV sets fell by 58 percent, that of tape recorders by 84.8 percent, of refrigerators by 18.6 percent, of washing machines by 37.1 percent, of electric irons, electric vacuum cleaners, radio sets, and cameras by more than one-half.

During the first nine months, the production of foodstuffs fell by almost 20.6 percent compared to the corresponding period of last year (by 23 percent during the January through August period), including declines in meat and meat products by 20.5 percent, whole-milk products by 25.8 percent, margarine products by 36.1 percent, macaroni products by 32.1 percent, vegetable oil by 27.5 percent, table salt by 26.2 percent, flour by 15 percent, butter by 17.4 percent, groats by 14.7 percent, and confectioneries by a factor of almost two.

In September, the volumes of production of vegetable oil, groats, canned goods, and flour increased. Compared to August, the average daily production of meat and sausage, whole-milk products, and confectioneries grew.

At the same time, a factor analysis of the production operations of enterprises of the food industry during the first nine months of this year indicates that they failed to manufacture products worth almost 16 trillion karbovantsy in view of a shortage of material, technical, raw-material, and fuel-and-energy resources.

In September, enterprises of the sugar and oil-and-fats industry embarked on processing agricultural raw materials from the new crop.

Sugar plants produced 520,000 tonnes of sugar, which was 9 percent more than in September of last year.

Due to the modest harvest of oleiferous seeds, only 10 out of 17 plants that process mainly customer-supplied raw materials are in operation. Out of the seeds delivered to state stocks, only 2,500 tonnes, or 20 percent of the volume of processing in September 1993, were processed. This situation in the manufacturing of oil from state stocks, along with a stable downward trend in the volume of its production brings about a deterioration of its supply to the population of Ukraine. In addition, this is the reason for a reduction in the volume of manufacturing products that use vegetable oil, as well as a failure to carry out state-to-state agreements on its delivery. Under the circumstances, the issue of suspending the exportation of seeds out of Ukraine until the procurement of the seeds of oleiferous crops toward state requisitions is completed is becoming acute (according to data from the State Customs Committee, in the first half of this year more than 300,000 tonnes of seeds were shipped abroad, with which 130,000 tonnes of vegetable oil could be produced, adding almost 20 percent to its resources).

The volume of retail sales between January and September came to 175.7 trillion karbovantsy, or 74.6 percent of the volume of the corresponding period of last year (this volume increased by 13 percent in August compared to the previous month of this year, and by 10.8 percent in September).

The volume of paid services during the first nine months came to 31.3 trillion karbovantsy which was 1.5 percent less than during the corresponding period of last year.

Certain Issues of the Standard of Living of the Population

Compared to December of last year, the cash income of the population increased by a factor of 2.1 in August and reached 42 trillion karbovantsy (such income increased by 7 percent in August compared to July).

On a per capita basis, cash income came to 801,000 karbovantsy compared to 748,000 karbovantsy in July and 371,000 karbovantsy in January of this year.

The average monthly wage of workers and clerical personnel in the national economy came to 1.1496 million karbovantsy in August, which was 3.9 percent more than in July of this year. Employees of banking establishments, nuclear power stations, the coal industry, the oil industry, insurance companies, and construction organizations had the highest average monthly wages.

Since the beginning of the year, prices for consumer goods and services increased by a factor of 1.8 (in September, by 7.3 percent compared to the previous month, and in August, by 2.6 percent).

Compared to August, prices for foodstuffs in Ukraine increased by 6.7 percent in September on the average (in August, they increased by 1.7 percent compared to the previous month, and in July they fell by 1.6 percent).

Prices for nonfood items increased in September by 8.1 percent and in August by 3.8 percent.

Compared to August, prices for paid services to the population increased by 5.9 percent in September (in August compared to July by 1.7 percent).

Foreign Economic Operations

The total volume of foreign trade of Ukraine between January and August came to \$13.294 billion, of which exports to \$6.585 billion and imports to \$6.709 billion with a negative balance of \$124 million.

Ukrainian enterprises engaged in foreign-trade operations with 130 countries.

The volume of trade with nearby foreign countries came to \$8.641 billion in the first eight months, of which exports came to \$3.787 billion and imports to \$4.854 billion. The negative balance came to \$1.067 billion (in July—\$1.508 billion).

The turnover of foreign trade with faraway foreign countries came to \$4.652 billion, of which exports came to \$2.798 billion and imports to \$1.854 billion. The positive balance came to \$0.944 billion (in July—\$1.223 billion).

Barter transactions accounted for more than 41 percent of the total volume of export deliveries. The proportion of such operations in the export of goods to the countries of the former USSR came to almost 50 percent, and to other countries of the world—to 30 percent, whereas

freely convertible currency was the main type of settlement for imported products (65.6 percent).

Prepared for informational purposes on the basis of materials from the Ministry of the Economy, the Ministry of Statistics, the Ministry of Finance, and the National Bank of Ukraine.

The Main Directorate for Economic Reform Issues of the Cabinet of Ministers of Ukraine

**Appendix 1. Economic Indicators of the CIS States in January Through August 1994
(as a percentage of the January through August period of 1993)**

	Volume of industrial production	Index of wholesale prices for industrial production	Cash incomes of the population (times)	Retail sales
Ukraine	67.3	3,456	18.0	67.2
Azerbaijan	74.4	885	6.6	51.1
Armenia	100.1	5,309	26.0	54.9
Belarus	72.7	3,512	19.7	72.3
Georgia	44.4	40.4
Kazakhstan	71.0	2,242	11.9	54.8
Kyrgyzstan	71.1	552	3.4	80.4
Moldova	69.9	1,278	5.8	48.8
Russia	76.6	603	6.3	97.3
Tajikistan	77.2	504	1.8	57.9
Turkmenistan	68.3	858	9.8	46.6
Uzbekistan	96.9	1,050	9.6	89.1

Note: based on data from the Ministry of Statistics of Ukraine

**Appendix 2. Production of Consumer Goods in the CIS States in January Through August 1994
(as a percentage of the January through August period of 1993)**

	Consumer goods	of which			
		foodstuffs	nonfood goods	including	
				light industry	for cultural, consumer, and household uses
Ukraine	65	77	52	40	60
Azerbaijan	82	77	88	92	86
Armenia	99	117	95	99.8	94
Belarus	81	85	74	68	77
Georgia	57	52	44	26	70
Kazakhstan	76	79	68	66	70
Kyrgyzstan	58	57	58	55	62
Moldova	62	62	54	41	63
Russia	72	80	66	57	68
Tajikistan	59	65	53	50	67
Turkmenistan	98	97	97	101	80
Uzbekistan	104	118	99.7	105	91

Note: based on data from the Ministry of Statistics of Ukraine

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Coal Production at 1955 Levels

954F0401A Donetsk AKTSENT in Russian
23 Nov 94 p 1

[Report by V. Zhigalin: "Into the Donetsk Steppe, My Boys, in 1955"]

[FBIS Translated Text] A large meeting of coal miners of Ukraine, in which the directors of associations, mines, research institutes, and coal engineering plants and trade union leaders and also representatives of the power engineers and iron and steel industry workers took part, was held on Monday in Donetsk.

Opening the meeting, V.I. Poltavets, the recently appointed minister of coal industry of Ukraine, observed that Ukraine is today in terms of coal production at the 1955 level, and in terms of productivity, even lower, at the 1935 level. It is today a question of the survival of the mining outfits, since, unless there is a change in the current situation in the sector, the mines could come to a halt altogether. The minister announced that he would do everything to ensure that the miners' problems be tackled at the highest level—the president of Ukraine, even. But the miners also, Poltavets said, have intrinsic potential for an improvement in their work, and it is no secret that production and engineering discipline has slackened at the majority of enterprises. At the same time, certain mine leaders are failing to cope with their duties, are in receipt of a decent wage, and are in clover in associations where the faces are at a standstill on account of the absence of coal-mining gear and a shortage of skilled specialists.

How is the sector to be extricated from this grim and protracted crisis? It is known that an entire program of the long-term development of the coal industry under market conditions is being worked up. It provides for the

construction of new mines, which will come to replace the unprofitable coal enterprises, and the modernization of the existing ones. But it is not only retooling that is to raise the amount of coal production. Much will depend here on the miners themselves and on their attitude toward work. It is on this, most likely, that the minister wanted to hear the opinion of his colleagues, that is, the association and mine directors and the miner outfit trade union leaders.

It should be mentioned that an open, businesslike discussion did not eventuate. The leaders spoke more about their current problems and at times made a lengthy digression into the history of the sector or raised questions of material and technical supply, and the trade union leaders were agitated more by the prestige of mine work and the priority pay of the miners. And it was rare that anyone touched on the painful problems of the sector's entry into the market. The entire discussion revolved around pricing, the price of coal, and remuneration. True, some speakers aptly observed we had today achieved almost the world price for coal and were demanding a world level of pay also and that it remained, consequently, to achieve the world level of productivity. Well said! For let us be frank: The root of the evil of many of the mines' troubles lies in the decline in productivity. How can it be a question of high pay if Ukraine is choking from a shortage of coal?

Of course, the situation in the sector is complex. But the miners are capable of resolving many problems by their own efforts, although Ukraine will not leave them without assistance. This can be seen from the recent decrees of the president and the government. Only now returns, that is, coal, are needed also.

V.P. Shcherban, chairman of the Donetsk Oblast Council, took part and spoke at the meeting.

ARMENIA

Bagratyan on Steps Toward Economic Reform

954F0377A Yerevan RESPUBLIKA ARMENIYA
in Russian 19 Nov 94 p 2

[Interview with Grant Bagratyan by A. Morikyan; place and date not given: "Ninety-five Will Be Decisive for Transition to the Market"]

[FBIS Translated Text]

[Morikyan] Recently the government has frequently been accused of the fact that, having set as its goal transition to the market economy, it has been losing sight of social problems and the population's living standard. What does the market economy mean for you, an economist and leader of the government: the end of activity or a means for achieving prosperity? What kind of society will be created in Armenia ultimately?

[Bagratyan] I will answer the second part of the question first. I consider transition to the market economy the philosophy and ideology of the creation of an independent state. Why? The USSR collapsed not because we wanted to create a different society but because the country could not have continued to have developed under conditions of outmoded political and economic systems. It had become obvious in the 1970's that the country had lost the incentives to inner development. A society based on the centralization of the economy and the distribution of resources in accordance with decrees from above had in the era of scientific and technological progress begun to lag drastically behind the Western civilized world based on market economics.

The trouble had made itself known in the Ninth Five-Year Plan even, in 1971. What had happened? There were at the start of the 1960's experiments in decentralization of the economic structure aimed at bringing it into line with the economic processes occurring in the world. This was a stage of the active introduction in production of the achievements of science and technology. Society had to be more mobile, and the agent of economic management, capable of adopting decisions independently and on time. Unfortunately, as of the mid-1960's a directly opposite process began. If we compare indicators characterizing productivity like, for example, exports per unit of national income or the output-capital ratio, it is ascertained that as of the Ninth Five-Year Plan they were diminishing, which clearly testifies to the disintegration of the economic structure. The previous society was incapable of resolving this problem. The policy of perestroika proclaimed in 1995 [as published] was also a presence and produced nothing. At the end of the 1980's society was squarely confronted with the fact of the impossibility of the accomplishment of socioeconomic tasks under the conditions of the previous planned and centralized economy. Political processes in this case simply performed the role of detonator. The Soviet Union was unable to tackle

domestic political tasks or find solutions to questions connected with the unfolding national liberation movements. The actual economic system was no good for the accomplishment of the historic tasks of the existence of the state. Individual reforms such as the stimulation of joint labor, which developed as of 1987, only intensified the contradictions, inasmuch as the critical mass of the old system tipped the scales. This is why in 1991, after independence had been acquired, not one republic was prepared to present a concept of its further actions. The previous stage of development had provided no hints as regards further progress. It was by no means a question of a lack of intellect—any model could have been invented, had we so wished. Everyone easily answered the question as to the kind of future he envisaged, but no one could link it with the present, point out the paths of achievement of the future, or produce a model of the transitional period. In addition, domestic policy problems that had not been recorded earlier and that testified that society still lacked a model of a solution of the problem that would have been accepted by all without objections emerged in all the states that had acquired independence.

I would not today, of course, claim to announce precisely the kind of society that we are building, inasmuch as this is a historical task, which has to be accomplished by the people. No one can lay claim to a knowledge of the truth in the last instance. But certain strategic singularities are for me obvious.

If we proceed from the need for independent statehood, it is clear that the state can exist only by having imbibed the healthiest elements of world civilization. Such with regard to economic life are the market economy or the free market.

Second, unless we move toward a free market, the building of a democratic state itself becomes impossible, since independent agents of the economy should form the basis of any democracy. If these are lacking, the concentration of power in the hands of any political structure and its possible abuse and attempts to model "from above" the process of the formation of society will sooner or later lead to the country's conversion into a foreign body in the modern civilized world.

Third, under conditions where preference must be given agents of the economy, market relations are more productive than any others. We are frequently accused as follows: You have switched to the market, and indicators have declined compared with 1989-1990, and the villagers have been impoverished by such-and-such a percentage, the townspeople, by a factor of so many. Yes, this is true. But I answer the question with a question: Can you imagine what kind of situation we would be in now had there been no reforms at all? Armenia would in this case be not simply in a deplorable state but in a state of civil war. Because society would have had to seek a way out of this situation.

We recall the first republic of 1918-1920. Having begun with democratic principles, it subsequently concentrated

everything in the hands of the state and ended in internal unrest (the organizers of this unrest undoubtedly bear a considerable share of the blame here). The state was unable to cope with the problems that had arisen or to find the necessary development model. Today the model is the market model, and unless we move toward it and put pressure on society, this could end in bloodshed and civil confrontation. The experience of neighboring countries confirms this: The political separatism that is present there is a result of economic relations that do not correspond to the reforms.

Fourth, our surroundings. We sometimes exaggerate the danger threatening us on the part of our neighbors (two of them, at least) and sometimes underestimate it, but it is real. And the best way of finding a common language with our neighbors are not so much negotiations as, under current conditions, developed countries [sentence as published]. And which model provides development—that wherein all are free or that wherein we exercise diktat from above?

Is it not clear that with these surroundings and with a limited quantity of resources, a people celebrated throughout the world for their industriousness and creative thought will create far more if they are free?

Fifth, for centuries we clung politically to any country. Any political cooperation and any strategy are of value only if you yourself are worth something. Had the people of Karabakh not been so adamant, we would long since have been confronted with a fait accompli, and our justice would have remained a purely moral concept. Generally, if a country is inwardly strong, friendship, even if strategic, with this state or the other strengthens, and animosity, on the contrary, weakens for you are, after all, confronting them with a fait accompli. Consequently, everything possible needs to be done for the full-fledged use of internal resources and for the development and strengthening of the state. Without losing former friends and former markets, it is essential to diversify our economy, find new markets for an exchange of commodities, and represent our economic interests throughout the world, at the same time, however, observing the interests of others on our territory. This is possible only under the conditions of a market economy. I have already once mentioned that independence in the economy is the equivalent of multiple dependence: The more the agents on whom you depend, the more independent you are. For a small country, this is the correct approach. Just try to diversify our economy on the markets of Western Europe, for example. No one would sign an agreement with the government. The agent of the economy himself should be represented. The government can only help and act protectively. Under the conditions of the liberal system of management, the agents were initially confused, but, thank God, our firms and enterprises are now increasing by the day the quantity of products sold overseas. In a year or two the volume of exports will be considerably in excess of that which we had in Soviet times.

[Morikyan] It is the government's job, however, to create for the agents of business management the most favorable conditions. What is being done in this direction?

[Bagratyan] Let us take trade policy. No other country of the CIS has so liberal a trade policy as we do. There are in this process, naturally, negative trends and outright abuses, which will gradually be reduced to nothing. Today the government, having assumed the most onerous tasks, power engineering, lines of communication, and such, say, has contributed to the creation of the legal field for relations with other states and, most important, has accorded the enterprises freedom. And the tasks confronting the state are today being tackled not by 30-40 persons, who were together called the government, but by thousands of people and the work force.

A new economy does not necessarily mean the latest technology at the plant. It means primarily a transformed socium, what was earlier called the labor collective.

But let us return to the previous question. Sixth, our people were always enterprising and loved to work. They were always successful under the conditions of a market economy, and under the conditions of the administrative-command system they operated in the spheres that were relatively free—crafts, trade, and so forth.

Now about the living standard. I am convinced that the market economy is the most humane. It contains also a certain number of structures of centralized management, which may increase or decrease. But, on the whole, decision-making under the conditions of this economic system lies with the object of business management. And it is by no means a bureaucrat who sits upstairs who decides who should live in society and in what way; this is determined as a result of the activity of the agents of business management. I would ask you which system is the more humane—this one or that whereby someone accumulates all the results of the activity of the agent, financial included, and determines the so-called living standard.

I maintain that had we not switched to the market, the living standard here would have been far lower. Had we not undertaken land reform, there would have been starvation in Armenia. There would have been nothing. Yes, at the very start of the land reform, we encountered instances of cattle plague and such, but today the result is this: no decline. Our countryside has at least solved the food question. This question is always contiguous with policy, for starving people, the majority of them, at least, forget about their ideology.

Second, there is by no means an automatic addition to resources at the time of transition to the market economy, and consequently, consumption may not grow such as to satisfy everyone either. We have no possibility of increasing our resources, but we can give all employees freedom, and a good employee proves to have

more resources. Subsequently, some of these resources are returned to the economy in the form of deposits, doubling its production and providing with work and resources those who have a comparatively less fortunate life. From this viewpoint, the trends toward polarization in the market economy are obvious. But this polarization corresponds not to bureaucratic distribution or positions, but to actual economic activity.

[Morikyan] Were possible scenarios per the "if, then" format discussed and tallied before the start of the reforms?

[Bagratyan] Writing out such scenarios on the basis of a computation is quite difficult. It was obvious during the discussion that with the prevailing situation, when the accomplishment of all tasks was entrusted to the state, it would very quickly have run up enormous debts. Second, this would have meant a halt to all production. With such a modus operandi the success would have lasted only three to six months. We wanted to find the right correlation between centralization and decentralization and, having granted freedom, to obtain a result. I believe that we implemented the soundest conversion program. It was difficult for us in 1992, but in 1993-1994 the majority of plants of this sector have begun to operate independently, to find paths....

[Morikyan] The transition to the market economy actually began with the adoption of the Privatization Act at the end of 1990. What results have been achieved in the four years? What mistakes and miscalculations have been made?

[Bagratyan] I recall the dreadful year of 1992. This was a black year for our economy. The decline in national income constituted approximately 52 percent. Today the result is, on the whole, satisfactory. In the sphere of plant growing, we have remained at approximately the former level. In the sphere of animal husbandry, even according to official statistics, the milk yield in the private sector is 10-15 percent lower. Let us compare these indicators with the following: 9,000-9,500 tonnes of diesel fuel were consumed this year on the spring sowing altogether, and the same amount in the fall sowing and the harvesting. This is 15 times less than was consumed previously. By February we had usually stockpiled 130-150 tonnes (as published) of diesel fuel for the spring sowing. Had we such resources now, the situation would be far better, of course. The human factor, which has substituted for energy resources, the tractor, machinery, and so forth, has now been enlisted in agriculture as a resource. We have made it possible for human energy to be used full-bloodedly in the interests of agriculture and in the interests of society. In addition, following the collapse of the Soviet Union, the purchase of these tractors and machines themselves ceased, and the former ties were broken off. Today the standard of cultivation of the land is still appreciably below what it was in the past. On certain areas that were earlier fertilized by aerial spraying, this is today no longer possible, inasmuch as

different crops are sown on different plots. But it is a fact that as a result of the change of approaches, there has been a change in attitude toward the land.

There has been simply no decline in the sphere of animal husbandry, according to our estimates. The figures, when compared with the pre-privatization results, are lower, but these were results on paper only, not in reality.

Any country in a period of transition to market relations encounters serious complications, as a rule, in any sphere (I would like simultaneously to respond to the first question also here). The state resolves the social problems of those who are dependent on the state—the employees of the publicly funded institutions, the intelligentsia, and such. This gives rise to a paradoxical situation. For the resolution of these social problems it is essential to obtain more resources from the primary agents of business management, for the state does not produce material values. But if an excessive amount is taken from them, the agent of business management is unhappy, and a bogus, inferior market economy eventuates. If too little is taken, however, we get a disproportion, and the socially unprotected subject remains discontented. It has to be acknowledged that in adverse situations, the brunt of the blow always falls on this stratum—employees of publicly funded concerns, retirees, the intelligentsia, teachers, doctors....

On the other hand—a no less paradoxical circumstance—working with the private economic sphere that has been created in the time of our government is far more complex at the initial stage for two reasons. If legislation is slightly inclined in favor of the persons employed in publicly funded concerns, an inward protest arises among the representatives of this said sphere, and the government instantly acquires the nonreformist label. A wave of dissatisfaction arises. In this case, a whole set of factors comes into play—the domestic political situation and political compromise and the flexibility of the government and its capacity for resolving emergent problems without reducing the productiveness of the transition to the market. And, what is most important, the reserves inherited from the state. From these standpoints, the position of our government was quite difficult. It is hard to compare today's condition with what we had if only a year ago. I have to confess, however, that the social sphere has suffered considerably in the past nine months. Employees of the publicly funded concerns have paid society far more than the other strata. And people talk on the one hand about the difficult social situation, on the other, about the need to reduce taxes. Those who say this should show precisely, with figures to hand, at what point, starting from precisely what level, the tax burden is distributed evenly to all members of society. There is a very precise solution for this problem.

There is no doubt that members of the opposition want to see only the bad and do not, generally, analyze how bad this step or this policy is: And they should say in the

course of this analysis what needs to be done to ensure that the overall result be better than it is now. It is the absence of an answer to the question that is the reason why the criticism of the economic policy that is being pursued is mounted at the emotional level. Especially since there is always something on which to base comparisons. Thank God that we all lived before independence, generally better than now, what is more.

[Morikeyan] Broad-based privatization, which is a new stage of the reform, has begun. How do you respond to the opposition's charge that "privatization means the dissipation of state property" and that "privatization is robbery" or other such accusations?

[Bagratyan] Yes, as at the time of the privatization of the land, so now also the subject of "robbery" has come to the fore in the opposition press. I shall touch on the 20 percent outright privatization. In the initial period there is no mechanism for ascertaining who gets how much. First, everything undergoes a transfer of ownership, to all equally, what is more. There is a natural process: In each given socium (collective) an internal struggle begins. Whoever possesses more opportunities or authority attempts, of course, to occupy a more favorable starting position. This is a natural process. But the proposition that privatization is a dissipation of state property is groundless, inasmuch as in the initial period state property does not switch to private hands but is for some length of time collectivized. Subsequently this stage is gradually replaced by a natural internal objective process of privatization—at a different pace in different locations. We could have a "just" society, in which everyone has an equal share in a 10,000-strong stock company, and it could also be the case that a person somewhere has 10 percent of the stock. From this viewpoint, no one has the moral right to call privatization robbery, inasmuch as it is obvious that a person cannot steal from himself. Far more has always been pilfered from, is pilfered, and will continue to be pilfered from state-run enterprises than from nonstate enterprises. We are very often accused of corruption. I shall permit myself to say that the relative level of corruption in Armenia now is far lower than before independence. Remember the struggle for the position of director of a restaurant or a public catering facility, the struggle against short measures, against under-the-counter trade, against those who would cart off from the field a bucket of tomatoes, and so forth? Not to mention the fight for ministerial portfolios. But three deputy ministers have quit with us this year alone—on account of the low pay.

So in which society was there more corruption? In that one or in this, when there is none in commerce, there is none in The countryside, and when it is disappearing from industry: the work force will watch to ensure that there be no theft. I do not understand these charges, for the Soviet Union collapsed for the very reason that there was more dirt in it than was said, and everyone was stealing from the state. The world has shown that there is no theft under the conditions of a market economy. Of

course, there is the embezzlement of public funds, financial resources particularly, and a desire to take from them one's share. And from this viewpoint, this society should not be idealized.

And, finally, one specific issue. Concerning the fact that the government has understated the value of properties in accordance with some set of methods, I declare that we are moving forward, guided by the law and the procedure established by the Supreme Council. Both this law and this procedure are correct.

There is a set of methods of the valuation of fixed capital depending on dividends and profitability, according to which valuations will be made in January, even.

We are not revaluing the plant. In accordance with the law, it has a book value. Or it is declared that Armenia has \$48 billion of fixed capital. This is absurd. If industry manufactures \$400 million of products and will next year manufacture, at best, \$500 million of them, this means that this plant is worth precisely this much.

Today we are giving people not simply property and rights, but obligations also.

There is a precise mechanism: The state, holding 80 percent, will, as specified by the law, constantly reappraise the capital. These charges have not caught us off guard. They are simply elementary political trickery.

[Morikeyan] Now let us turn to the program of socioeconomic development drawn up by the government and the IMF...

[Bagratyan] It should be considered that this program is designed to balance the state budget, create bank reserves, and extend structural policy. This program will not take away any of our resources and will contribute to ensuring that our resources increase, that our budget be augmented, and that labor efficiency rise. Economic growth of 5-10 percent is envisaged, to which the program will essentially add approximately \$500 million, \$250 million of which the state, the government, the Central Bank, will receive directly in 1994-1995 as financial assistance. A further \$250 million will be obtained in the form of investments, of which approximately \$80 million will be spent in 1995. Yes, our resources will increase in accordance with this program. That the program requires structural changes in the system is another matter. Price policy also is a component of these structural changes. What do we want—permanently cheap bread together with permanently expensive meat or... If this policy continues, and money is added to this also, the production of grain here would simply come to a halt. An interesting issue. Until recently the sowing of winter crops was lagging by several thousand hectares behind last year's level. The peasants realized that cultivating grain was not all that profitable: The state has reserves of grain, it is supplied from overseas, and, crudely put, his grain is not needed. That is, an incongruity had frankly arisen. Yet there are areas

that want to produce grain. Under these conditions the peasant could demand only one thing: Create a mechanism that ensures that grain has a normal price and that the producer is not enmeshed in constant debts, not get into a fine mess, and not fetch up in the artful stratagems of intricate mechanisms with the constant mutual dissatisfaction of the peasant and the state. Otherwise, the situation in 1995 will be even more complicated than in 1994. What will happen to the budget? In 1994 the budget constituted \$85 million. In 1995 it will constitute, at best, \$125 million. With the help of international organizations, we will have a \$300 million budget. Of the above-mentioned \$120 million, we have as the first order of business to repay the debts of 1994: \$30 million of domestic debt and \$50 million in debts to the European Community, so we will, as a result, have far less. This will mean that the debts of 1995 will not be repaid, that new debts will accumulate, and that the structural imbalance will continue. The same with electric power also. The mutual arrears will henceforward signify that the enterprises will not be receiving their working capital and that their debts will be gigantic. In 1995 this grim situation of 1994 will be even more apparent. That is, this situation will signify that we do not collect budget resources of our own in 1995.

Further, in 1995 the process of privatization will continue. It should not be assumed that if some privatized enterprise has been on a subsidy, it will receive it periodically. Or take motor transport. What assignments is it setting itself? If you, the state, want me to carry people free of charge, and 25 percent of the populace today travels free of charge or at a preferential price, either give me their money or reimburse my costs. Otherwise, why should I lawfully pay you and be entirely uncompetitive with private transport? A perfectly fair demand. Consequently, we cannot go on in this way. Reality changes. This problem did not exist earlier, inasmuch as private motor transport, albeit formally, was not recognized, although it was always there, and to no less an extent than today. Consequently, this would certainly lead to economic decline and would have a negative impact on the privatization process also, that is, there would no longer be equal starting opportunities. Or, say, a state-run enterprise is not prepared to pay for electric power seven times more than the public, than the private peasant traders. Having become a nonstate enterprise, it would demand a change in this procedure, giving as the reason for this the fact that this is nothing other than a tax, a far greater tax, moreover, than is actually paid on profits. Let us abolish this tax: I am not required to pay it. And we, as the government, have to resolve these structural problems also. Ultimately these problems simply create disparities, inasmuch as the economy is a unified system: It has a structural part, a budgetary part, and a commercial part, and it incorporates price policy and privatization, banking, and credit policy. It is the sum total of all this that is called economic policy. And all these monstrous disparities must be removed, otherwise privatization will be pointless. All this should

be seen in organic unity. For unless we have such a policy, no credit market will emerge either. There will ultimately come a day when, as is happening now on the commodity market, the banks themselves will be asking people to accept credit. This day will necessarily come! Today several banks have frankly acknowledged that they are bankrupt—nonstate banks that have taken big sums from the people. They are operating according to the following precise principle: They announce high interest, although it is not known how they intend to secure this high interest, and a month later announce even higher interest in order from the funds of the new investors to pay off their debts to the old investors. They have been operating this way for several months, and they will shortly understand that they are bankrupt, but they have, after all, already collected the initial capital, so they can take it and run. This is their precise principle of activity, that is, the discrediting of the market—market relations and labor and people—engendering tremendous numbers of malcontents. And our society is as yet still within a framework of such warped concepts that it immediately declares these people heroes.

[Morikyan] Since you have touched on this, let us make clear what can be done and what mechanisms exist that make it possible to avoid such phenomena.

[Bagratyan] There is a practical method for combating such mechanisms. If a bank announces that it will accept deposits at 100 percent and another announces that it will grant unlimited credit at 10 percent, you should know that you are dealing with frauds.

No bank will be in a position to make such announcements in 1995. Such recklessness will be cut short.

[Morikyan] And if we reject the terms proposed by the IMF?

[Bagratyan] If this happens, new requests from the Central Bank will await us in 1995, inasmuch as the credit resources must expand the financial deficit. If it is imagined that by some miracle we double our production, and this means a physical growth of 10-15 percent more than we had in the mid-1980's, which is impossible under present conditions, we would not, in this case, need additional financial resources, of course. But this is unimaginable. When such structural changes are under way, market reforms, particularly if we add here circumstances connected with technology, are simply impossible. If we agree, we will have difficulties for only 20 days—the first 20 days of December—after which we will have precise, stable reserves, money, a clear policy, and a stable dram, people will have confidence in us, and investments will begin.

[Morikyan] What influence will all this exert on the living standard?

[Bagratyan] To be honest, a decline in real wages will begin: of 15 percent on average. In the publicly funded sphere it will be compensated, but production will suffer

somewhat. But real wages are not in themselves the living standard. There will be investment of the order of \$80 million, and the construction workers, say, will obtain from these investments a wage equivalent to \$80-\$100. There will be an improvement in the material conditions of the publicly funded organizations, that is, there will be additional income in the production sphere. It is entirely a question of the actuality, of the results of the additional labor. Ultimately, in accordance with the results of meetings with representatives of the donor countries in Paris, we will obtain certain supplementary assistance. As a result of all this, there will be no real decline in the living standard, at least.

[Morikyan] Inasmuch as we are not the first and, most likely, will not be the last, what was and what is now the status of the states that have traversed this present path of ours?

[Bagratyan] In the general sense, our model is unlike any other. The policy of freedom of trade, say. This is a policy that ensues from life. The successes have been noted, in the main. South Korea, for example. In the 1980's the South Korean economy was, in connection with national problems, almost stagnant. In South Korea there was precise sponsorship. They pursued a stricter tax policy. If we look at tax policy in the private sector, their tax policy was more liberal. This ensues from two circumstances: the specific situation and the national character. I am frequently asked: What kind of economy do you want—bourgeois type A, bourgeois type B, or bourgeois type C, and so on and so forth. The issue in this case is perfectly clear: We need to preserve the basic principle, adding to it the situation in which we have found ourselves, and to exclude prejudicial elements (the blockade and so forth), having attached a certain impress of the national dominant here. It is the sum total of all this that will ultimately produce the model of economic policy.

There is the experience of South Korea—very successful experience. The result is positive in African countries also. Cote d'Ivoire, say, which has already acquired celebrity, or Bangladesh, which just 15 years ago was mired in poverty. In terms of per capita income, incidentally, Bangladesh is ahead of Portugal and has approached the European average. Moldova had new programs, but they remained unfinished and were confined merely to the first stage—there were no structural transformations there: They received money, and that was all. The market, privatization—everything came to a halt. A comparatively successful model is operating in Kyrgyzstan, and it should be expected that its economic status will improve in 1995. Money has been received by the Russian Federation also, but, unfortunately, their reforms are as yet for a variety of reasons just spinning their wheels. But there are examples of unsuccessful experiments also. Bulgaria, for example, in which no economic growth has been observed as yet. In the initial period everything was shaping up very unsuccessfully in Poland, but it subsequently reached stabilization, the

program was changed, and it is the second year now that it has enjoyed stable economic progress. Or Hungary: It began privatization, but it was then abandoned, and the pace declined, and it has had several changes of government—communist, socialist—and it has yet to recognize anew that this path leads to the old path, that is, to nothing, and that to direct an economy by administrative methods, particularly under the conditions of market relations that have already begun, means to inflict even greater damage on it.

[Morikyan] What effect is the increase in prices having on the population? What is needed to alleviate the possible negative consequences of this? What is the anticipated result, and how do you conceive of the future of the reforms?

[Bagratyan] We are hoping that the other prices will not rise in the wake of the price of bread and electric power. We do not rule out price increases in the next 20 days. But inasmuch as the Central Bank has an opportunity to support the exchange rate, prices will be held at a particular level and will subsequently be restored. I may say that all the owners of commodities that attempt to ratchet up prices will not ultimately derive any benefit from this and will merely suffer. For the sum total of overall resources is truly such that, except for two or three weeks, the price fluctuations—even from a quarterly angle—will not appreciably change anything. Pensions will be compensated. And even more: A benefit will for the first time be granted the unemployed. We have a whole army of unemployed, who, in accordance with current laws, are in receipt of assistance from the Food Program and from a certain basket. Compensation will be paid teachers, who, as a result, will receive more than is "eaten up" by the increase in the price of bread and electricity. Children will receive partial compensation—the amount of compensation will change depending on the number of them in the family. Against this background there will be a slight reduction in real wages, but there will be no overall decline in the living standard throughout 1995. In order to mitigate the negative result and to prevent sharp price fluctuation in these 20 days of December also, certain material resources have been stockpiled. Of course, it would be good in such cases to anticipate everything. At what result will we arrive? We are with this program laying the foundations of balance, and the Central Bank, of stable monetary circulation. Except for the months of December and July, there will be no fluctuations the rest of the time. Growth will constitute only 1-3 percent, and prices at the end of 1995 will be practically the same as at the end of 1994, no higher.

[Morikyan] What is the most important economic task of next year that the government would like to see accomplished?

[Bagratyan] A resolution of the energy problem is very important. I hope that the nuclear plant will have been started up by the middle of the year, and at the end of the

year, the fifth power unit of the Razdan State Regional Electric Power Station, and that both will be capable of providing for the republic's energy supply. The second unit of the nuclear power plant and the fifth unit at Razdan will bring us great relief. Small power stations will be commissioned in 1995, which will make it possible to maintain power frequency at 50 hertz so that at the end of the year people will be receiving electricity for 10-12 hours a day. A large part of the work on bringing the nuclear power plant back into operation has already been done.

Lake Sevan's water will be used only for irrigation. This will make it possible to reduce by a further 30 percent the collection of water from the lake, and as of next year 3.5-4 times less water will be collected from Sevan than in 1993, and 2.5 times less than in 1994. After the 1996 watering season, the level of Sevan will gradually begin to rise.

The year of 1995 will be the decisive year of the transition to the market....

Edict To Protect Rights of Bank Depositors

954F0431A Yerevan RESPUBLIKA ARMENIYA
in Russian 25 Nov 94 p 1

["Edict of the President of the Republic of Armenia: On Measures To Protect the Rights and Legal Interests of Depositors in the Republic of Armenia"]

[FBIS Translated Text] Taking into account the fact that in recent times, as a result of poor management, illegal actions, and abuses committed by a number of financial-credit and other organizations operating in the Republic of Armenia, thousands of people have incurred serious financial loss,

taking into account the problems we have in the sphere of legislative regulation of relations in this sphere and the obvious negligence manifest by a number of competent organizations in the fulfillment of their responsibilities,

having the aim of establishing necessary guarantees regarding protection of the rights and legal interests of depositors, and of finding realistic opportunities to legally compensate them for losses they have incurred,

attaching great significance to the place and role of the finance and credit system, banks in particular, in the sphere of economic reforms and accomplishment of the urgent socioeconomic tasks the republic faces, I
DECREE:

1. To propose that the Central Bank of the Republic of Armenia:

a) discuss and present proposals within two weeks:

—concerning the elaboration and introduction of guarantee mechanisms with respect to protecting the rights and legal interests of depositors in the Republic of Armenia;

—concerning measures to surmount the deficiencies and obvious omissions respecting all-encompassing legal regulation of the activity of finance and credit organizations;

b) organize within two months, with the participation of appropriate ministries and departments, a special investigation of the activity of banks and other finance and credit organizations registered in the Republic of Armenia, to determine the legality of the activity they carry out and services they provide, with the aim of establishing more favorable conditions for stimulating their legal activity while suppressing all illegal and illegitimate activity.

2. To propose that the Procuracy of the Republic of Armenia provide the president of the Republic of Armenia, within 15 days, information regarding the status of criminal cases instituted with respect to violation of the rights and infringement of the legal interests of depositors who have been victimized, and present a conclusion on deficiencies manifest by various state organs in fulfillment of their functional responsibilities and on their liability in this regard.

To pay special attention, during the course of investigation of criminal cases, to methods, capabilities, and means of providing legal compensation to victimized depositors for losses they have incurred.

3. To direct the Republic of Armenia Ministry of Internal Affairs and the State Directorate for National Security of the Republic of Armenia to assist the Procuracy of the Republic of Armenia to the maximum possible extent in matters related to identifying and instituting charges against persons guilty of violating the rights and infringing on the legal interests of depositors, and providing compensation for losses incurred by depositors, and to submit every seven days to the president of the Republic of Armenia a report on measures taken.

4. To direct the Republic of Armenia Government:

a) to discuss and present within two weeks, jointly with the Central Bank of the Republic of Armenia, suitable proposals regarding measures necessary to quash illegal banking and other finance and credit activity in the republic by juridical and physical persons, and proposals regarding a precise determination of the functional responsibilities of various departments in this matter.

With the aim of protecting the populace from possible misunderstandings, to develop and implement comprehensive measures for regulating and organizing the entire publicity and advertising system within a legal framework;

b) to present proposals within 15 days regarding elimination of deficiencies in the legislative regulation of relations in the finance and credit system, and regarding the accomplishment of urgent tasks aimed at overcoming the existing deficiencies.

5. To direct the Control Service of the President of the Republic of Armenia, on the basis of proposals of the Republic of Armenia Government, Central Bank of the Republic of Armenia, Procuracy of the Republic of Armenia, and other organs, to discuss the question of discovering additional capabilities to provide compensation for losses suffered by depositors.
6. To entrust responsibility for monitoring the implementation of this edict to K. Rubinyan, director of the Control Service of the President of the Republic of Armenia.
7. This edict enters into force as of the moment of its publication.

[Signed] L. Ter-Petrosyan, president of the Republic of Armenia
16 November 1994
City of Yerevan

Ramkavar Azatakan Party Leader Interviewed

954F0410A Yerevan RESPUBLIKA ARMENIYA
in Russian 18 Nov 94 p 3

[Interview with Ruben Mirzakhanyan, Ramkavar Azatakan Party leader, conducted by Ida Martirosyan: "The Political Spectrum Through the Party Prism: 'Reformers Should Serve the Interests of the People'"; date and place not given]

[FBIS Translated Text] The leader of the Ramkavar Azatakan party answers the RESPUBLIKA ARMENIYA correspondent's questions.

[Martirosyan] Mr. Mirzakhanyan, I hope my question does not sound strange to you—passions surrounding it have died down and here I am returning to it all of a sudden. It is just that it seems to me that now, with the passage of time, the true causes and the impulsive outbursts at that particular time have been more clearly revealed. And it is possible, finally, to attempt to understand the logic of the actions, interactions, and counteractions of our parties. So, how is it you are in the "group of six" bloc allied with the ruling party? You who have traditionally claimed to be in the opposition?

[Mirzakhanyan] I am grateful for the question, since indeed it is precisely with the passage of time that a great deal becomes clear. Secondly, you spoke of logic; I would add dynamics. When you examine the dynamics of the process, you understand its logic. For nothing happens "all of a sudden." And I have one fundamental refinement of your question—it is not a bloc but an interparty conference. By the way, the organizer of it was not the AOD [possibly Armenian Liberation Movement] but the KhDS [Christian Democratic Union]. However, even then, we would not have refused to take part, since the point is not who the organizer is, but the reason it was organized. Incidentally, the dynamics of the process can already be tracked by the weeding out of participants. By no means did everyone who took part in the conference,

and there were many, sign the final agreement. Moreover, some of them are now in the "Alliance of Five" association.

[Martirosyan] Really?! May I ask who, precisely, and why?

[Mirzakhanyan] "Why?" You should probably ask them. But among others the ONS [expansion unknown] and the NDS [expansion unknown] withdrew. As far as we are concerned, we have always accepted and will continue to accept invitations to participate in such conferences. That is certainly the civilized form of interparty political interaction and contact. These meetings are useful for receiving and exchanging information and for exchanging opinions on urgent questions, both external and internal ones. Four years of experience have shown that mutual tension is reduced at these meetings. And many questions simply become clearer when the party leaders carry on a dialogue in a calm atmosphere. That is much more sensible than learning heaven-knows-what about one another from the press or television or even on the street. The summary conference with which we began the interview resulted in a statement signed by our party. We consider it consistent in a constructive though at the same time extremely critical spirit. The set of problems which we have been talking about all these years even without the conference has been identified. As you can see, there is simply no sense in seeking any subtext or cunning political tricks in our participation. Incidentally, along with this conference, we took part in another one held by the Dashnaksutyun party. A joint statement was also adopted there. But it did not satisfy us. In our opinion, it was less in keeping with the political position which we hold. That applies above all to privatization and the private form of economic activity as well as to the question of creating a government of national accord. We take an extremely skeptical attitude toward the latter, as we have repeatedly said.

[Martirosyan] I just cannot refrain from mentioning: Sure, you have found an occasion to be with the ruling party rather than the Dashnaks. I should think so! The Dashnaks are traditional rivals, and strong ones, they will crush and subordinate anybody. It is better to criticize the ruling party in a civilized, neutral way, especially when you are hand in hand with it... It is as if you are criticizing, but not "at odds."

[Mirzakhanyan] But why be "at odds," as you choose to call it? Just for its own sake? The opposition's role is somewhat different. In my opinion, the arguments we concurred with at one conference and disagreed with at another are quite serious. In any case, for those who understand politics as a serious business rather than populism, and you must forgive me, but your last retort was couched in a populist spirit. But for those who behold only the final phase of the act, the "appearance on stage" in a certain company of people; of course, the make-up of that company seems important. For them the most important thing is who is with whom rather

than who is who, and certainly not why someone appeared with someone else at precisely that moment. They are deprived of the opportunity to observe what is happening, not only what is happening behind the scenes but even the acts which preceded the last act. Incidentally, our press promotes this, unfortunately. It usually makes comments and conjectures on the last act, without managing to analyze the dynamics. Thus it does not simply satisfy the low level of political sophistication and simply attach labels, but it ignores the essence of the events. Do not rule out the psychological phenomenon of fear of the concept that "evil tongues are worse than pistols." This phenomenon can make people join a bloc with those who are stronger and more popular now. Fortunately, we have enough strength to consider in each particular situation what it is we are signing and what we are uniting in behalf of as predominant, rather than who we are signing with and who is in the bloc with us. So once again I direct your attention to the fact that we signed the document which most fully corresponds to our views couched in an extremely oppositionist and at the same time constructive form and initiated not by the ruling party but by the KhDS.

[Martirosyan] Okay, I accept your rebuke of the press. But nonetheless, despite how valid and pretty what you said may be, I cannot refrain from saying: So what?! So you had a conference and you signed something, but what is the final goal? Just what have you accomplished? Are things easier for us ordinary citizens because of this demonstration of yours on paper and in words? No! So it is all just pre-election games.

[Mirzakhanyan] First of all, I would like to clarify somewhat the question of the very form of such a phenomenon as interparty conferences. We consider them a form of interparty ties which in no way should be confused with interparty cooperation, and certainly not with a pre-election bloc. We would undoubtedly be interested if representatives of the "group of five" invited us to participate in their future meetings. But after the very first disagreements, we would be "booted out." The truth can hardly emerge without controversy. As for the elections, I, of course, would be deceiving you if I announced that conferences, blocs, and documents have nothing to do with the elections. One way or another, everything that is happening in the political arena, especially now, affects the elections. And no one forgets that. But there is also a more important feature in interparty ties, namely, in the context of the pre-election race. They make it possible to identify the possibilities of political forces and their positions and potentiality, to draw certain conclusions, to find our bearings, and to fashion our political line. That is certainly true.

[Martirosyan] It is, of course, nice to hear an honest answer, but... I would hope that you do not take what comes next as pure backbiting, but just for what it is.

So then, it is thought that your party as a rule joins those who are on top, that is to say, the ruling party. That is a strange form of opposition.

[Mirzakhanyan] All right, let us trace the processes further back in time. Until the present ones, interparty alliances had appeared in our political arena only twice. And both times very plainly and clearly our party took a place, a prominent one, by the way, in precisely the opposition bloc. The first was Dashink, and the second—the Constitutional Bloc. Incidentally, in both cases certain results were achieved precisely because of our party's constructive approach. In Dashink our formula was adopted; it said that Armenia could not sign a treaty where Karabakh was considered an inseparable part of Azerbaijan. That seems obvious now. But remember that was an altogether different time and this position was in the extreme opposition. What scandal-mongers can argue and prove that we were in cahoots with the powers-that-be? The opposition would not have appeared and our formula would not have been adopted. I emphasize this because that may be precisely the reason that we rarely advertise ourselves, and when we do, we do a poor job, and labels are stuck on us.

The second stage was the Constitutional Bloc, where we were one of the organizers. I believe the fact that the Supreme Soviet Constitutional Commission's draft, which abounded in imperfections, was not adopted was an enormous achievement. Very energetic and fruitful work is underway now, incidentally. And I believe this form of cooperation is the most civilized. The result of it was a joint draft which takes into account the experience of a year and one-half of work on the Constitution.

[Martirosyan] But then why did you leave Dashink?

[Mirzakhanyan] Because it was conceived of as an alliance within parliament. But when it ceased to be one, we abandoned it. In my opinion, the examples which I cited quite convincingly prove that the Ramkavar Azatakan party is by no means a pro-government party, and certainly not in its pocket, as some populists allege. The oppositionist character must be shown not with noisy demagogic appeals and carping for the sake of carping, but at those serious moments which are truly of momentous significance. And this must be done in a civilized way. Political sophistication is not an empty term. Our party has demonstrated, is demonstrating, and will continue to demonstrate precisely a civilized form of political action. We will never permit ourselves to use the crude language of the street, to stick on labels, and to call for reprisals. Passions must not be aroused without considering the consequences of their uncontrollability. The result of the permissive methods of this political conduct is quick in coming. Fighting, arson, violence—we have never been advocates of such methods.

Yes, we have never come out on the square, and that is why we are accused of being "with the Palace." But, first, there is a third possibility—we are our own people. And a fourth—we are with either one group or another, depending on who is right in the particular situation. So we do not consider cooperation with the ruling party shameful if our interests coincide, just as we consider it

mandatory to oppose the ruling party if we see its mistakes. Yes, we criticize, and in all seriousness, but not harshly and crudely. Unfortunately, since 1988 the people have become accustomed to the idea that once you are in the opposition, you must be rude, and the ruder you are, the more in opposition you are.

[Martirosyan] Of course civilized methods are more impressive, and of course it is nice to realize that on momentous occasions you are bold enough to express your opinion and stand firm on it. But we can also recall those who resort to extreme measures, even if you consider them populist. Because in addition to momentous occasions, there are also ordinary ones, and they are difficult. Difficult for both the powers-that-be and for the people. It is no wonder that passions heat up and opposition becomes acute. But you...

[Mirzakhanyan] So in your opinion we are removed from mundane troubles and we consider ourselves above "everyday interests" and a kind of political aristocracy? Of course not, the disastrous position of the people oppresses us too. We are just as inseparable a part of them.

We are alarmed that the ideas of the liberal democrats have been profaned. Attempts are being made to trample them. The very idea of market relations is being discredited. Yes, the period in which we live is an incredibly complex one—it would be difficult for any government to operate in these conditions. But that is precisely why it must not be just any government, and certainly not a government of empty reforms. It must be a real reform government. In any of its undertakings, it must be able to carry out a whole complex of social measures within that undertaking. So that we do not have the grotesquely absurd situation where the government is supposedly carrying out reforms, but the people are in fact falling through the cracks of its "armchair games."

[Martirosyan] Excuse me, your monologue is an emotional one but by no means concrete. It is from the ranks of typical opposition speeches. You yourself said a bit ago that it would be difficult for any government in such conditions. And then—criticism. Where are the radical proposals? Where are the specifics?

[Mirzakhanyan] Certainly, I will cite only two specific examples of the most striking messes which require neither reforms nor a Solomon to eliminate, but merely effective governmental mechanisms. The first matter is interbank transfers. Note not international transfers, where everything trips over disruptions of traditional ties or the ineffectiveness of intergovernmental agreements, but merely transfers within the republic. Do you know the enormous damage the constant unsettling changes prevailing there have done to all of us? Any transfers within the republic take a month or two. That is nonsense! The transfers are not to a blockaded area, after all! So what is the reason? It is obvious, banks are "hustling" the money. They go unpunished. They make money, but for you and me and for firms and enterprises,

it is not just a matter of overdue payments; it is at bottom the depreciation of the expected amount. Inflation is galloping. In our country even the dollar is subject to inflation. All we need here is performance discipline, and on the part of the Law too. We need—and there is no reason to fear the "terrible words"—repressive measures. Repressions against offenders will merely serve to raise the government's popularity. Of course, having gotten burned a couple of times on banking delays, which hurts their pockets even more, enterprises and businessmen prefer to rely on cash. But where there is cash there is crime. A person with a case full of dollars is an attractive target for criminals. Ultimately, it is not without reason that the civilized world switched to a noncash system.

The second matter is aviation. Yes, I agree that in our conditions aviation must remain under the state's aegis. But that it is at bottom an anti-state activity goes without saying.

[Martirosyan] Aviation has been accused of a lot of things, but not being anti-state. Perhaps you are exaggerating...

[Mirzakhanyan] Not at all. Just take the last document of aviation reform—raising prices for takeoff and landing services.

[Martirosyan] Well, you can certainly say that the customer suffers, but by no means the state, whose budget gets income from the airport.

[Mirzakhanyan] Not at all. The air bridge plays an enormous role for us, that is obvious. So, if the state should subsidize something, it is aviation. But certainly the state should not commercialize aviation, taking advantage of the fact that we are forced to use its services. The point is not even only that many people can simply no longer afford to use air transport, and so should apparently not care how much more prices are inflated. But we must not deceive ourselves or each other. We all depend on aviation. Almost everything that we buy is delivered by air. Any increase in the price of services is invariably reflected in prices. It turns out that on the one hand, inflation as an objective phenomenon is strangling us, and on the other, inflated prices for air services are. Who is responsible for all this? The government. And you must know that if the government wanted to, it could do a great deal. Only if it very much wanted to. Remember the president's edict abolishing the tax on imported food. That was last December. And the effect was certainly quick in coming. Prices fell. Yes, they are still terribly high for most of the population, but even so it would be dishonest to deny that after that edict the number of people who could buy things substantially increased and the assortment of their purchases expanded, though not by much. As you can see, if the government really wants to, it can. One edict, and that is the effect. Can you imagine if other edicts were in operation and laws were in effect? If the reforms were

not the fruit of official detachment from reality, alienated from the needs and hopes of the people, and annoying interference, but were rather based above all on precisely the people's interests? In behalf of the people rather than in behalf of the triumph of abstract market relations.

AZERBAIJAN

Azerbaijan Forces Increasing Preparedness *954F0420B Yerevan RESPUBLIKA ARMENIYA* *in Russian 23 Nov 94 p 1*

[Interview with Major General Anatoliy Zenevich, by NOYAN TAPAN correspondent Anait Barsegyan; place and date not given: "Azerbaijan Continues To Arm"]

[FBIS Translated Text]

[Barsegyan] Reports have appeared recently in some of the Russian mass media on enhancement of the level of combat readiness of Azerbaijan's Armed Forces, completion of their military structure, and their replenishment with equipment and ammunition. In particular, the newspaper IZVESTIYA wrote about this on 5 November. To what extent do such reports correspond to reality?

[Zenevich] Indeed, in recent times the level of combat readiness of Azerbaijan's Armed Forces has increased appreciably. New equipment has arrived in the area of the Karabakh confrontation—in particular, tanks and artillery in the region of the population center of Barda. Personnel strength has been increased. New military subunits have been established.

[Barsegyan] Is active relocation and regrouping of the Azerbaijan Army being observed in the front-line zone? If so, in what direction?

[Zenevich] Troop redeployments of the Azerbaijan Army have been intensified along the line from Kazakh to Gyandzha. We are monitoring and analyzing the situation. All of this is alarming to the highest military leadership of the Nagorno-Karabakh Republic and is compelling them to take adequate measures to consolidate the combat readiness of their army.

Karabakh Parliament Meets After Year Break *954F0420A Yerevan RESPUBLIKA ARMENIYA* *in Russian 23 Nov 94 p 1*

[Unattributed article: "A Year Later"]

[FBIS Translated Text] The Supreme Council of the Nagorno-Karabakh Republic convenes today in regular session after a break of over one year.

Gayane Arustamyan, press secretary of the Supreme Council of the Nagorno-Karabakh Republic, explained to a SNARK correspondent that the lengthy recess in functioning of the Karabakh parliament was caused by

the unstable environment in the region. In her words, many deputies were fighting on the front. More than 10 parliamentarians perished on the battlefield. The relative calm that has been established in the zone of conflict in recent months has enabled us to hold elections to fill vacant seats in the parliament and to prepare for convocation of the next regular session.

The session is expected to last three or four days. The deputies intend to discuss a number of issues concerning the introduction of amendments and additions to the Law of the Nagorno-Karabakh Republic on Military Obligation, extension of the state of martial law in the Nagorno-Karabakh Republic, and reorganization of government structures in the republic. The parliamentarians will also approve the chairman of the Central Electoral Commission and confirm the authority of newly elected deputies.

National Socialist Movement Seeks Followers *954F0375A Baku ZERKALO in Russian 19 Nov 94 p 5*

[Interview with unidentified "Nazi activist" by E. Alyoglu; place and date not given: "A National Socialist Party Is Being Formed in Azerbaijan"]

[FBIS Translated Text] "We will have followers. We are not 'hoping,' we are sure of this," a Nazi activist, who agreed to grant ZERKALO an interview provided that his name would not be mentioned, said.

[Alyoglu] A national socialist party in Azerbaijan. You seriously hope to form this organization in the republic, or has it already been formed?

[Answer] No. The National Socialist Party of Azerbaijan is still in the formation phase, but we hope that we will shortly have more followers than we have now. The situation in the republic itself is forcing us to create this party and to reconstruct the ideas of national socialism, the modern foundations of which were laid back in 1919.

[Alyoglu] So you acknowledge yourself to be a fascist?

[Answer] The question is wrongly put. Fascism and national socialism are two entirely different concepts. The fascist movement, which was headed by Benito Mussolini, was conceived in 1923. The roots of national socialism go back to the fourth century. We are the representatives of a social and political movement that is far older and more important than all the world's current social and political movements. In forming a national socialist party in Azerbaijan we want to revive the past might of the Azeris—a might lost by the unworthy descendants of the Oguz and the Huns. The spirit of the love of freedom and independence and the aspiration to the highest truth and wisdom have been extirpated from us down the ages by the sword and by Islam. Thanks to foreigners, we have flat-out forgotten our origins, and second-rate nations have dominated us. But the day is coming when the Aryan nation will hold sway over its lost land.

[Alyoglu] What kind of Aryan nation? When speaking of the Aryan nation, the unforgotten Adolf Hitler meant the Germans.

[Answer] The Germans are merely a branch of our race. They come from a community that separated off from the Huns. Understanding the entire tragedy of the situation in the Weimar Republic at that time, Adolf Hitler prudently deemed it necessary to bring the term "Aryan nation" into everyday use. We, however, despite all our respect for the personalities that changed the course of history, consider that Azeris, not the Germans, are, for all that, the Aryan nation. We pursue the aim of a revival of the past might of the Oguz and the Huns.

The absolute majority of parties and grassroots movements in Azerbaijan are formed around some name, and if this person leaves the party, it automatically falls apart. I mean, that is, that the majority of parties with us operate as parties of personalities. In creating our party we shall not allow this. We will have subordination and iron discipline for all party members, the leaders included. The leaders will be answerable to the rank and file for each word uttered anywhere and for each action. We will not have that manic hatred of dissidence.

[Alyoglu] This does not, somehow, fit in with the fundamental ideas of national socialism, for the word Fuehrer is for the Nazis law, after all.

[Answer] This was long ago. The Fuehrer was in Germany, we will have a kagan, just like Mete, Attila, Gey Kagan. We will take as the basis the spiritual principles of the Turkic peoples, pragmatism, and iron discipline. But simultaneously we will have absolute freedom of will expressed in freedom of word and deed.

We reject authoritarianism and the diktat of mentally retarded people belonging to nationalities and races which by their ethnogeny are incapable of leadership. Azerbaijan has for centuries languished under the heel of various foreigners. Why can we not choose for ourselves a worthy leader, who will lead us along the path of the Highest Truth? Only do not think that we are calling for a variety of coups or revolutions. We are not so stupid as to do this. The time of the triumph of the ideas of Turkic national socialism is close, but the course of events should not be hurried.

[Alyoglu] Are you really hoping that you will have followers? Your ideas are based on hatred of all peoples other than Azeris. Who are the "Azeris," incidentally?

[Answer] We will have followers. We are not "hoping," we are sure of this.

In the shape of its Slav leadership the Soviet Empire called the Azeris Azerbaijanis, whereas there has simply not been nor will there be a nation under this name. We do not call the English Britons, or the Arabs living in Libya, Libyans.

The idee fixe which was the so-called "Great October Socialist Revolution" led to a contempt for all the ideas of Turkism. We endured the supremacy of idiotic laws, according to which no nation was entitled to have its own view of its future. As a result of the persecution, the entire intelligentsia of the Turki living on the territory of the empire was killed off. Adolf Hitler attempted at least in some way to help us Turki. Turkestani battalions were specially formed in many cities of Germany to this end. It was at that time that the idea of the Azeris' return to their land first arose.

You ask who the Azeris are. I will tell you. The Azeris are tribes of the Oguz and the Huns that lived for centuries on the territory of the Great Hun Empire. But subsequently they were all assimilated and, like the Romans, disappeared. Even the Azeri language was forgotten.

[Alyoglu] You said that Adolf Hitler attempted to help "us." Whom did he attempt to help?

[Answer] I would recall that Mamed-Emin Rasulzade himself took part indirectly in the formation of the Turkestani battalions. This is a sufficiently full answer to your question.

[Alyoglu] In conversation you are continually mentioning "second-rate" peoples. Who are they?

[Answer] You know better than I. A general test of people for conformity to Aryan appearance began in Germany in 1936. This was, at the very least, stupid. It is not hard to distinguish the nonintellectual person belonging to the lower races and nationalities with a rudimentary level of culture and education.

For 70 years the Slavs humiliated my people in every possible way and subjected them to both physical and moral terror. But the Slavs cannot be called a people since this term does not fit the crowd of drunkards, failures, and people infected with the ambitions of Great Russian chauvinism. Russia has at all times made annexationist plans of paramount importance, and they have all been implemented because there was no one to resist the might of the united armed forces of different tribes and national groups living on a vast territory which starts at Brest and continues through to Sakhalin. But the times of Great Russian chauvinism have gone irretrievably. There is now a force that can resist any interference in the affairs of independent states.

We shall not think of ourselves as being free without the return of the captured land, and as long as merely one Armenian remains in Azerbaijan, we cannot rest easy. Not only Karabakh but also Iravan—the ancient land of the Azeris—will be liberated. After all, Armenia is wholly situated on the former territory of the Turki. We are not demanding others' land. We want only to restore territories that have been taken away illegally. And this is both our legal and our moral right.

The national socialists of Azerbaijan will exact cruel vengeance on each enemy of the nation, despite his

might, territory, and plans. When Asala and the Union of Action engage in terror and kill Turki and Azeris, this is a "national liberation movement." When the Turki answer them in the same coin, they are all terrorists and maniacs. Each people has the right to defend its sons against enemy encroachments.

The national socialist movement of Azerbaijan, which will soon make its presence felt, is opposed to any violence and terror person to person. We support the state structures in their struggle against lawlessness, tyranny, and anarchy. The hour of the awakening of our nation has come, and the eight-pointed sign of the Highest Truth will help us.

Democratic Congress Urges 'Solidarity' in Present Crisis

954K035AA Baku AZADLYG in Azeri 7 Oct 94 p 2

["Appeal by Democratic Congress on October Events in Azerbaijan"]

[FBIS Translated Text] The tension in the republic that began with the events of 2 October has continued to grow. There is a major role by foreign powers and their domestic partisans in the creation of the present deep crisis in the country. The fact that Azerbaijan is not turning from the path of independence, and especially the signing of the oil contract on 20 September has increased the activity of these forces recently, and has caused the widening of their diversionary efforts. The confrontations which have taken place in Baku and other regions of the country, even the seizure of government organs in some places and the creation of civil conflicts has created great danger for our independence and statehood. A fear of the loss of achievements attained at the cost of the people of Azerbaijan's six years of struggle and much blood has been created. In such a situation the Democratic Congress calls on its supporters and the entire people to rise in defense of our independence and statehood and not permit the realization of the plans our enemies have been trying to implement since 1992 or the shedding of fraternal blood in our country. The Democratic Congress, which is among the great and influential political organizations in Azerbaijan, makes it known that it will continue the struggle towards this objective by all possible means, and will try to eliminate the conflict that has emerged today in a peaceful and democratic manner.

Whenever a domestic governmental crisis is created, Armenia's army attacks our borders; they have made use of the confusion and occupied our territory again and again. We turn to our young soldiers who are standing guard at our borders and appeal to them to not join any political games and perform their sacred duties with honor.

In the light of the deep economic crisis, difficult social conditions, slander and corruption in the republic, lawlessness and feudal exploitation are taking place. The

principle of extreme localism in cadre policy is creating a polarization in the society and this in itself strengthens the chances of a conflict between different groups.

[Word illegible] measures are being taken. All legal demands, complaints and appeals remain unanswered.

Organizations within the Democratic Congress have made the government aware countless times since the uprising of 4 June about the dangerous results of such a policy.

Now, in order to prevent an effort to seize the state it is possible that the Democratic Congress, in opposition to political forces which held their own personal ambitions over the principles of statehood, has found a way to protect statehood.

We are sure that the people of Azerbaijan who have been undergoing great deprivations will emerge from this political attempt and not give up their own freedom and the independence of the Fatherland. But if the government draws serious conclusions from this event, there will be room for the creation of serious conflict in the country in the future. Thus, there is a great need for very serious changes in the present domestic policy of the government. The only way out for Azerbaijan, which has been standing face to face with powerful and despicable enemies and whose statehood has not yet taken shape, is national solidarity. But in order to create this solidarity, the obstacles built in its path must be removed, the government [passage illegible] and finally move on to the measures which have to be taken, and examine the concrete proposals of the opposition.

The Democratic Congress calls on the people of Azerbaijan to fight for the independence of the state, territorial integrity, and [passage illegible].

Factors Threatening Integrity of State Examined

954K0359B Baku AZADLYG in Azeri 7 Oct 94 p 5

[Article by Baheddin Heziyev: "Azerbaijan's State—To Be Or Not To Be? That Is The Question"]

[FBIS Translated Text] Events of recent years have shown that there are a number of important political laboratories in Azerbaijan: Baku, Nakhchivan, Genje, Lenkeran... Political chemists are using explosive substances in the experiments they are conducting. Elements familiar to us from last summer are in their test tubes seem apparent.

The question arises: "Is the Azerbaijani state to be or not to be?" From this point of view, there are two important dangers.

1. The Danger of Civil War

The agreement signed by the Western countries with the consortium of oil companies has increased and sharpened the contradictions in and with Azerbaijan at three levels:

The first level—interested regional states. Although Iran has preferred silent diplomacy, Russia has declared it does not recognize this agreement. Here it is conducting a policy of dual standards: By not recognizing the agreement, it has tried to raise up the resistance movement in the Caspian states. Nevertheless, of the Caspian countries, only Russia has not joined this consortium. As for the last step, it has created the possibility of maneuvering from two sides: first, if it is impossible to violate realization of the agreement, it will be satisfied with ten percent; second, if real conditions for violating the agreement are created (the best case for Russia) Russia's Ministry of Foreign Affairs will state that the document signed by the administrative head of the Fuel and Energy Ministry did not pass scrutiny by the Foreign Affairs Ministry because it was considered unacceptable.

Undoubtedly, foreign power centers which do not recognize oil contracts will try and are trying to make it impossible to ratify it. Here, domestic power centers (the second and third levels) will come to their aid.

The second level—interested hidden (inner government) opposition. There are many reasons for some inner-governmental groups to be dissatisfied with this contract because, on one hand, this document strengthens the constitutionalist wing of the government politically the most, and on the other hand, it damages the interests of the hidden opposition that hopes for a share from the signing of the contract.

The third level—open opposition. The open opposition forces standing on the right (Democratic Congress) call on both wings to make peace. The leftists (the ruling political parties) defend the approach of the government. The centrists, trying to maneuver between the opposition parties, attempt to gain time and make compromises (from this standpoint the proposal by the democrats to pass an act of general political amnesty awakens much interest) arouses considerable interest. Although the president gave an amnesty to soldiers who opposed him last summer, forces proposing a political pardon now are refraining from demanding his resignation. It is quite certain that they have put forward a general political pardon with the goal of gaining an acquittal for A. Mutallibov, E. Humbetov and others.

Weapons have turned into the main argument at every level. Military units belonging to the various blocs of forces are standing face to face. [Sentence illegible] The start of a civil war in Azerbaijan could result in the following:

- a series of overthrows;
- the loss of territory;
- the economic crisis turns into a famine;
- the activation of ethnic power centers (separatism);
- an increase in crime, etc.

2. The Danger of Violating the Ceasefire

It is known that there are four stages to achieving a lasting peace: the ceasefire, preserving the ceasefire, peace talks, a peace agreement. Now the ceasefire has continued for more than five months. This is the longest ceasefire in six years of struggle. In the course of this five months there have been talks with the state leaders of Russia and Armenia as well as government organs of the city of Khankend of the Azerbaijan Republic in order to assure the stability of the ceasefire. Genuine political conditions to conduct peace talks have been established. Violation of the ceasefire at the present stage could bring about serious results:

- armed forces of Armenia resume their attacks;
- violation of the peace talks;
- the loss of more territory and an increase in refugees;
- conditions face by Azerbaijan become worse;
- return to ground zero in the political process.

In both cases the probability of realizing the oil contract signed with the Western oil consortium come into question. This means that we would be deprived of the support of the world community in economic (in the form of investment) and political (peace talks) mediation. Thus, the talk is now not about the fate of someone's government, but about the fate of the country itself.

'Dangerous Tendencies' Within State Analyzed

954K0359C Baku AZADLYG in Azeri 8 Oct 94 p 4

[Article by Fuad Hesenoghlu: "Statehood: Harmful Tendencies"]

[FBIS Translated Text] The bloody events which took place in the country recently prove once again the weakening of Azerbaijan's statehood. It is natural that these events and all the processes that led up to them must be deeply analyzed and the appropriate result must be drawn in the name of strengthening our statehood. If this does not occur, we could once again face even more tragic events.

The fact that Azerbaijan is located in a geopolitically strategic region creates the conditions for development in two directions (not that other directions are excluded). On one hand, Russia applies various pressures with the goal of intensifying the situation in Azerbaijan, obstructs a solution of the Armenia-Azerbaijan conflict within international legal norms and attempts to bring Azerbaijan completely within its own sphere of influence (here we would note that this was one of the factors creating a significant obstacle to concluding the oil treaty between the Azerbaijan State Oil Company and the consortium of foreign oil companies on 20 September). On the other hand, this same geopolitical situation creates the possibilities for the protecting and developing of Azerbaijan's independence by exploiting contradictions between the larger states.

But it is clear that since independence was gained in the country the fact that activity has been weak in the direction of reinforcing statehood and that the necessary measures have not been taken. It is only natural that determining the harmful tendencies and eliminating them has turned into one of the most pressing problems for our statehood. In our opinion, through observing the processes within the country and affecting international relations connected with Azerbaijan from the point of view of statehood, we can point to the harmful tendencies below:

1. The Country's Lack of a Single, Defined Political Line in Domestic and Foreign Policy.

This problem basically, pertains to foreign policy. The fact that Azerbaijan's independence and territorial integrity are under threat and the broadening of the Armenia-Azerbaijan conflict further increases the need for a single political line. It is known that from the first moment the present government came to power it has had a onesided direction in foreign policy. It entered the CIS and the Pact of Collective Security, delayed in signing the oil agreement, gave preference to the role of Russia as a mediator in the solution of the conflict, recognized 'Nagorno-Karabakh', signed the Bishkek Protocol, etc. Recently, while definite changes have been implemented in Azerbaijan's foreign policy (that is, the government's broadening of cooperative relations with the Western states, joining NATO's 'Partners for Peace' program, attempting to draw international organizations into the solution to the conflict, signing the oil agreements, etc.), these were delayed measures and a manifestation of a 180 degree change in policy. From this point of view, the implementation of a consistent foreign policy line is necessary.

2. State Organs Not Turning to Supremacy of the Constitution and the Law.

Despite the fact that the principle of the supremacy of the law in Azerbaijan was violated initially at various levels, the foundation for this harmful tendency was laid at the highest levels of government in June of last year because at that time constitutional and legal violations occurred at the highest level, in other words, the government was overthrown by an armed uprising in the country. [Passage obliterated] On the other hand, the fact that the powers that be are not turning to the supremacy of the law and the arbitrary action by state bureaucrats is met with dissatisfaction among the citizens. When studying the reasons behind the standoff between OMON and the government, it is this aspect that must attract attention. Or, let us give a concrete example: why can the government hold a meeting under the special situation, but in times when there has not been a special situation, why has the opposition been unable to hold a meeting, even after appeals to the local administration, or why have their meetings been broken up?!

3. Innergovernmental Conflicts.

One of the factors preventing the establishment of a strong state are innergovernmental conflicts. During the time of the present government conflicts between the prime minister and head of state, between the prime minister and the head of parliament, and others have been consistently manifesting themselves. One can point to the following basic reasons for the creation of innergovernmental squabbles and conflicts:

- the organs of the state government have not been formed through democratic elections;
- various forces within the government and responsible individuals have fought for personal and financial interests rather than the interests of the state;
- the existence of 'secret forces' which impede the government's normal activity within the state structures.

4. The Existence of Illegal Armed Groups on the Country's Territory.

We recall that one of the basic factors that led to the overthrow of president Ebulfez Elchibey was that the government did not disarm the illegal armed units. The existence of such armed groups proves the weakness of the state. In one of our last articles we noted that a question as important as air and water to Azerbaijan is that the various forces and parties make the transition from armed struggle to political and civilized struggle. By doing this, we must disarm the illegal armed units create normal conditions for the activity of political parties and public organizations at the same time, and give precedence to the methods of civilized, political struggle.

5. Not Taking the Necessary Steps Toward Political Solidarity.

This tendency is closely connected to an earlier tendency. At a time when our country is exposed to foreign aggression and 25 percent of our territory is occupied, the presence of political solidarity could have helped resolve a number of problems in Azerbaijan. The basic measure needed to implement this is, as we noted above, is giving precedence to the methods of democratic struggle in political relations, and the establishment of democratic conditions for the various political forces and parties to conduct such a struggle in a civilized manner.

6. The Supremacy of the Principle of Localism.

Over the last year the reliance by the government on the principle of localism in domestic politics has been met with justifiable dissatisfaction by the public. These steps have also impeded the people's emerging as a unified force. In countries that have set out on a desirable path of development cadres are not appointed according to the principle of localism; instead, talented and qualified cadres are trained to act in accordance with the progress of the state. Additionally, this harmful tendency

increases the danger of armed struggle and leads to the creation of civil conflict in the country. In our opinion, one of the ways of eliminating this factor is using the potential of all the political forces and holding parliamentary elections under completely democratic conditions in the country.

Role of Iran in Caucasus Conflict Solution Viewed
954K0359D Baku AZADLYG in Azeri 11 Oct 94 p 7

[Article by Ibrahim Ibrahimli: "Iran Between Russia And The West"]

[FBIS Translated Text] Political events which we have witnessed have confirmed the opinion of experts a few months ago when they said that 'a solution to the Karabakh conflict has advanced to a new stage.' In past months, Russia's dominance in the political struggle alongside the conflict is undoubted. This reveals itself in the fact that the proposals of the CSCE in the plan which had been prepared for regulating the struggle are not being taken into consideration.

In our opinion, the trip to Iran of Y. Eliasson, chairman of the Minsk group of the CSCE, on 21 September marked the first stage of the new level. During Eliasson's last trip, he held talks with Iran's Foreign Minister, Ali Akbar Vilayati, on the Karabakh conflict.

It goes without saying that the meeting that took place found its origin from the journey to Iran undertaken by Turkey's president, S. Demirel (Demirel came to Iran after V. Kazimirov). The role of the Iranian wing of the Armenian lobby in the holding of this meeting is undoubted (the fact that the neighbor state sold gasoline purchased in Azerbaijan to Armenia proves the freedom of the Armenian lobby in Iran).

What was the goal of J. Eliasson's trip to Iran? It is known that Russia, by distancing itself from a Western solution of the problem wishes to resolve the conflict within a regional framework (it is possible that this might occur in the course of an agreement between Russia and the West). The West in this way can hide the fact that it is turning to Iran and draw Iran to its own side. Naturally, at a time when the world is being redivided, Iran cannot disregard its interests in various regions. The Western countries at the head of which is the U.S. are not interested in this. And the possibilities of the West to gain dominance in the region are broad. Turkey, which is close to the center of the conflict, is under the influence of the West. If the U.S.A. draws Iran to its own side, or, in the worst case, neutralizes it, even though Russia puts the solution of the conflict in a regional framework, the West will move the problem's solution in the direction it desires. In other words, the path to a solution of the conflict in a regional framework leads through the West. In this instance, Russia is once again compelled to account with the West. Let us try to examine with what factors the interests of Iran in the territory of the former USSR are related...First, we draw

your attention to information we obtained from the earlier meeting of J. Eliasson with Iran's Foreign Minister Vilayati. According to Tehran Radio: "During J. Eliasson's meeting with Ali Akbar Vilayati he said that Iran can play an important role in regulating regional conflicts, including the problem of Tajikistan. J. Eliasson called on the Iranian state to actively cooperate with the CSCE Minsk group in resolving the problem."

As is seen from the statement of the Minsk group chairman during the meeting, the West is opening the way for Iran not only to Azerbaijan but also to the Central Asian republics. It is no secret that one of Iran's strategic plans is to lay to rest Turkey's influence in Azerbaijan and Central Asia because the fact that these regions are under Turkey's control will lead to the establishment of Turkic unity and this, sooner or later, will bring the question of Southern Azerbaijan to the fore. It is certain that Iran, in order to neutralize this factor, will put more hope in the West. At the same time, by playing an important role in the economies of the aforementioned regions, no Iranian momentum is lost (remember the obstacles placed by the Iran Customs Administration to the recent truck caravan from Turkey to Nakhchivan).

In addition to this, a number of other factors could compel Iran to a rapprochement with the West. The time of the agreement signed between Iran and Russia in 1988 on selling weapons to Iran has expired. A number of days ago B. Yeltsin declared that after Russia delivers to Iran the weapons specified in the agreement, Russia would sell no more weapons to Iran. Iran knows well that the U.S.A. pushed B. Yeltsin to take this step.

Azerbaijan, which is within Iran's strategic interests, signed an agreement with a number of foreign oil companies. It goes without saying that the West is close to reinforcing the economic freedom guaranteed in Iran with political freedom. That means that this is necessary not to promote instability in Azerbaijan (this is unacceptable in the West) but to achieve stability in the region (in the Karabakh conflict) so that there is a forward movement in the economy.

If the Caucasus region is given to Russia's sphere of influence in redividing the world (these tendencies were felt in the press conference following the meeting between B. Yeltsin and B. Clinton), Iran would then be interested in the continuation of tension in Azerbaijan because Iran, by exploiting the probable variant above (Russia and the West drawing Iran into a solution of regional conflicts), would make an effort to guarantee its permanent interests in the region. It is possible that this might cause tension in Russian-Iranian relations.

The political realities faced by Iran make it possible to mention that the possibilities of the CSCE for playing an important role in resolving conflict are broad. And sooner or later, Iran will have to take part in the international atmosphere.

Search For National Objective Viewed

954K0359E Baku AZADLYG in Azeri 13 Oct 94 p 3

[Article by Kamal Ali: "The Searches For A National Objective In Modern Azerbaijan"]

[FBIS Translated Text] The most important problem confronting modern Azeri ideologists is the question of preparing a national objective. Unfortunately, the fact that our fatherland was under colonialism for many years is not the only reason for the lack of a national objective. Peoples living in some republics of the USSR, more inclined towards politics than us, not only preserved their national goals in the time of the strictest totalitarianism, but developed it and are even succeeding in implementing them.

Leaders of the democratic government in Azerbaijan developed a national ideology called 'musavatism' for the first time. But 70 years of occupation froze public opinion in this direction. Thus, the 1936 Musavat Party program stated: "Azerbaijan, a state connected with greater Turkism as a whole, is culturally tied to other Turkic countries. Musavatism will defend the maintenance of these ties in the future as it has done in the past."

According to this ideology ("New Turan"), Turkic peoples who had gained independence had to build strong relations between their own countries. In the opinion of N. Nesibzade (DUNYA, No. 1, 1993), this idea is in the process of being reestablished.

"Azerbaijanism" can be considered a modernized form of Turkism, an azerbaijanified variant. H. J. Alizade said about this: "In order to rid our society of catastrophe Azerbaijanism must rely on the idea of a single nation" (MUKHALIFET, 27 August 1994). In the works of N. Shemsizade, the ideologist of the ADIP, this ideology takes an especially prominent place: in the answer to the question "What is the best slogan for today?" the professor says: "Neither nationalism, nor Turkism, nor democracy. Azerbaijanism! In this are nationalism, and Turkism, and democracy, populism and patriotism. Azerbaijanism must not encompass just one ethnic group, but all ethnic groups living here." (VATAN-DASH, 5 November 1993) Without wishing to enter into a discussion with Professor N. Shemsizade we have to say that the Musavatists do not consider the that one concepts raised in the first sentence to be outside their own ideologies. At the same time, the meaning of the second sentence is more suited to the spirit of contemporaneity and the interests of Azerbaijan. The modern, multiethnic population belonging to various religions in Azerbaijan has to make the Musavatists, who preserve the principles of "Turkism, Islamism and modernism" in their program, to think over a number of questions.

When creating a National Objective, one of the principles to be turned to is the concreteness and clarity of the final objective. K. Ali, while not opposed to "Azerbaijanism" or "Turkism," considers these goals as amorphous and non-concrete, a type of goal that could not

unite all forces in the society and proposes another variant of the idea of national Azerbaijan. In considering the fact that our lands are occupied in an article published in YENI MUSAVAT, he puts forth the idea of the "liberation of the Fatherland." In the opinion of K. Ali, the objectives embodied in the principles of "Azerbaijanism" and "Turkism" must serve the goal of building a powerful state, changes in the educational and cultural sectors, etc.—all of which must serve one goal: the restoration of Azerbaijan's historical borders. Then it will be unnecessary to indicate the concrete geography of the borders. "Today we have no national objective said A. Ahmedli and supports his opinion thusly: "Our national objective must be to create a whole Azerbaijan under the condition that the territories that have been lost are returned. If such a goal is put forth and communicated to the people, we can move to an offensive position from the defensive position of the last two hundred years and only then can we eradicate the stagnation in our national ideology." (MUKHALIFET, 19 July 1994). In the article "Nationalism Is National Unity!" T. Guliyev writes: "Only by mobilizing national unity can we have returned the lands that have been lost" (MUKHALIFET, 10 September 1994). Members of that One Azerbaijan which is known for its ideology are included in the "concrete—influential" group.

At a "roundtable" held by the Musavat Party and devoted to a national objective the need to continue discussions emerged. Then, in July, participants in the event were unable to come to a unanimous concept. It became clear from the speeches of each of the participants that existing public opinion tended toward passing a joint decision.

As is seen, in articles by most of the writers, it is necessary to reinforce our statehood in order to secure the return of the occupied territories.

There are also such articles suggesting ideas with which one cannot agree. For example, H. Hajyzade proposed the idea of "independence within secure borders" (AZADLYG, 17 February 1994). Musavat's concept group discussed this idea. According to this conception, if we take the aggression of our neighbors into consideration, one could say that Azerbaijan could lose its statehood. Perhaps this idea caused debates because it was inadequately based in the article. Thus, one could understand "security" from the point of view of building up a powerful defense structure. In this case, H. Hajyzade's formula would have to be evaluated differently.

The social-democrats have not held to a single position in the discussion of a national objective. Unfortunately, I. Memmedzade who devoted his article wholly to methodological questions (ISTIGLAL, 26 July 1994) does not propose his own variant. In the quotes given below there is not a complete reflection of the contents of the article: "Most of the politicians and researchers engaged in the search for a national ideology, without considering national ideology, insist that, in one case, turkification,

islamification and modernization, in another case, Azerbaijanification, be in the hands of one or another social force; it would be better if it were in the hands of the government in power." Another quotation: "Neither intellectuals nor politicians can perceive of the importance of a common national allegiance at the level of consciousness. Every group tries to make its own understanding and interests acceptable to the whole society, but every kind of ideology is an integrative connector."

It is clear to whom these accusations are addressed. What is not clear is how the social-democrats understand the integrative nature in the objectives of the communists, musavatists and frontists. Essentially, democratic elections serve the purpose of giving the people the chance to vote for the most influential party and install their national objective as state policy. Unfortunately, the state ideology of Azerbaijan's present leadership is still unknown.

The duty of the people of Azerbaijan today consists of preparing and accepting a national objective. This objective must be the objective desired by all the generations, and must call the people to the difficult, yet brilliant path of struggle. Only a people with a national objective can be victorious.

Domestic, Foreign Policy Failures Examined

954K0359F Baku AZADLYG in Azeri 15 Oct 94 p 5

[Article by Hikmet Sabiroghlu: "Problem No. 1"]

[FBIS Translated Text] It is no secret that dark clouds have gathered over the country. The struggle has been lost, the economy has collapsed, the country, which has suffered great losses, is face to face with two great dangers. On one hand the danger of neo-occupationist Russia, on the other contradictions that have placed it in dire straits domestically and have taken on an even more irreconcilable character. Essentially, these two factors make up a strange unity. As everything else in recent years, while Russia's pressure has increased, the internal contradictions have been reinforced; as these contradictions have deepened, external pressures have become more manifest. In the third year of our independence, we have been unable to simultaneously neutralize these two factors. We are unable to escape from the Achilles heel of our politics.

Ayaz Mutellibov, who was unable to find a stable position in domestic or foreign policy, stood his ground for almost five months after declaring the country's independence under intense pressure from various domestic forces (we will not discuss whether this was justified or unjustified). But this was not his toppling from power alone. The basic part of Nagorno-Karabakh was occupied by the combination of foreign aggression and domestic conflicts; the gradual destruction of the economy began and the foundations for the formation of power centers backed by force were laid. After A. Mutellibov was retired, steps taken to create solidarity in the

country resulted in failure. In April and May 1992 internal conflicts within the country deepened significantly. As a result, new losses occurred—Shusha and Lachin were occupied. The revolutionary forces coming into the government found the job of removing the country from Russia's sphere of influence found their work complicated from the very start.

The foreign policy of the government of Ebulfez Elchibey, which was appropriate to the country's strategic interests was not balanced by adequate measures in domestic policy. The government was unable to reach an accommodation with the centers of power that impeded its foreign policy. Elchibey was too slow in taking the necessary steps to weaken the merciless alliance which opposed him. As a consequence of the non-constructiveness of opposition forces, it was impossible to find reliable allies, and there was no way to take the measures necessary to render irreconcilable opponents harmless.

In the first months of H. Aliyev's government important negative changes in foreign policy were decided on. But hopes placed in the CIS and for a rapprochement with Russia were quickly dashed. The line taken by the government—war hysteria and the wish to resolve the Karabakh problem through the use of force—yielded not result. Finally, a year later, the process of directing foreign policy along Elchibey's course began. The signing of the oil agreement and the rejection of Russia's unilateral mediation in the Karabakh question give a definite basis to say that this turning point is not superficial. If it is not a global political game.

But the government only came to this conclusion after heavy losses. Time and energy wasted in meaningless experiments came at a cost to Azerbaijan. The losses placed Azerbaijan in a profitless geopolitical situation. Most importantly, domestic conflicts began to get stronger second by second and were enriched with ever newer pitfalls. Conflicts between the government and the political opposition, inner-governmental and inner-clan conflicts developed with great rapidity.

[Passage illegible] In the course of this period it was considerably weakened by the punches taken; despite this, there was no solution to the problem with the political opposition which had preserved its basic nucleus and it was impossible to cast the political opposition from the scene by force.

The most dangerous are the inter-clan conflicts which conveyed the character of a regional confrontation. Dissatisfaction with the government's irrational cadre selection policy envelops not only the clans, who are pursuing corporate interests, but also political forces, public organizations, intellectuals and simple men who have nothing to gain in the domestic conflicts. Harmful and dangerous tendencies such as the formation of political parties according to regional allegiances and mutual distrust based on area are strengthening. This is very

profitable for Russia whose direct intervention possibilities through Karabakh are drying up. If this process, which is turning into the most sensitive part of Azerbaijan's political life, is not prevented, a civil war will be inevitable. Removal of the conflicts in the country surgically—in other words, eliminating opponents—is without prospects because the action would bring forth a reaction, and in all cases Azerbaijan would sustain the blow.

Whether we like it or not, H. Aliyev and his adherents are a reality. Whether we like it or not, there is a political opposition whose leaders are accepted abroad and domestically. And there are other interests that will be undeniable, other spheres of interest, and other forces with a strong backing. And in such a varied society a dictatorship can give an advantage to a certain group at a certain time. But only for a short time. After the October events the government fell into a euphoric state, and is not thinking about taking account of all forces in the society. According to normal logic, the government should be engaged in eliminating the causes that led to the October events. But just the opposite is being felt.

We do not live in a country with traditions of a powerful statehood. We have not built a state of law consisting of a system of normal economic and political relations. But this is not to say that we have to lay the foundations of Azerbaijan in a crooked manner or that we should not learn from the losses of the last seven years, or that we should not think of ways to escape from the feudal-tribal concept.

Under present conditions when the probability of a stronger and newer scope of foreign aggression is strengthening, the Aliyev government has to take another look at domestic policy. Russia will not give up Azerbaijan easily and it has unexpected weapons in its arsenal to reach its objective. A policy that will balance the interests in the country and that will strengthen internal resistance is needed in order that we not be destroyed under this danger. The way to achieve this goal does not go through destroying the tiny embryos of solidarity or the present mood of the government. Time is getting short to resolve the common national problems of Azerbaijan. The worst thing is that the number of those who choose solidarity is getting smaller. This is the number one danger to our statehood. This has to be the number one problem of the government also.

Law on Citizen Identification Papers

954K0345C Baku AZERBAIJAN in Azeri
23 Sep 94 p 3

[Law of the Republic of Azerbaijan: "On Citizen Identification Papers"]

[FBIS Translated Text]

Article 1. Citizen Identification Papers of the Azerbaijan Republic.

The document describing the person of a citizen of the Azerbaijan Republic on the territory of the Azerbaijan Republic is the identification paper of a citizen of the Azerbaijan Republic (henceforth—identification papers)

Every citizen or his legal representative is obligated to protect his identification papers.

The refusal or changing of identification papers, or its acquisition in manners contrary to the regulations defined in this law is strictly forbidden. If the identification papers are lost, its holder or his legal representative must immediately report this to the state organ which issued it.

Article 2. Types of identification papers.

There are the following types of identification papers:

- 1) identification papers issued to a citizen up to the age of sixteen years;
- 2) identification papers issued to a citizen over sixteen years of age;

The Supreme Soviet of the Azerbaijan will submit examples of the different types of identification papers.

Article 3. Information contained in the identification papers.

In the identification papers of a citizen up to the age of sixteen years will show the series and number of the identification papers, the citizen's family and personal name, the family and personal names of his parents, place and date of birth, sex, blood type, address the name of the organ issuing the identification papers and the date of issuance; as for the identification papers of a citizen of age sixteen and older, the ethnic status of the citizen, family status and military duty, height and color of eyes in addition to the information mentioned above; a photograph will be attached and, instead of the family and personal names of his parents, the name of the father will be shown.

This information will be confirmed by the official of the appropriate state organ that filled out the identification papers through his stamp and seal and he will bear responsibility for its accuracy according to the laws of the Azerbaijan Republic.

Article 4. The issuance of identification papers.

The identification papers will be issued at least ten days following the request of the citizen or his legal representative by the appropriate local organs on receiving his birth certificate, a photograph of the citizen sixteen years old or older, a receipt for the payment of the state fee and, in necessary instances, documents establishing Azerbaijan citizenship.

When the citizen reaches 25, 35, and 50 years of age or the citizens changes his family or personal name, his father's name, address, family or military status, or if information contained in the document is erroneous, if

the identification papers are damaged or lost, the citizen must change his identification papers according to the regulations in the first paragraph of this article.

Article 5. The state fee.

When identification papers are issued to citizens up to the age of sixteen no state fee is collected. When identity papers are issued for the first time to citizens who have reached the age of sixteen, a state fee in the amount of the minimum wage is collected.

If information shown in the identity papers is unintentionally incorrect or if the citizen loses the papers through no fault of his own, or if they are damaged, the identity papers will be changed for no fee by the state organ that issued them.

When a citizen reaches the age of 25, 35 and 50 or when his family or personal name, father's name, address, family or military status are changed a state fee in the amount of half the sum defined in the first paragraph of this article is collected in order to change the papers. When identity papers are lost or damaged due to his own fault, a state fee in the amount of two times the minimum wage is collected in order to change them.

Article 6. Cases of taking identity papers temporarily.

When a citizen is drafted into genuine military service the military commissariat in the place where he lives or, if he enters a military educational institution the directorate of this institute takes the draftee's (student's) identification papers temporarily, keeps it for the duration of the military service, and later sends it to the

appropriate state organ for return to the owner upon his release from military service.

Identification papers of individuals sentenced to hard labor, or who have been sentenced to prison will be temporarily taken by the organs carrying out an investigation, a preliminary examination, and executing the decisions of the court and added to the proceedings against this individual or to his case. On elimination of the demonstrated bases of the case, the identification papers will be returned to the owner immediately.

Article 7. Turning over identification papers.

When a citizen dies his identification papers will be turned over to the organ of registry of acts on the condition of his citizenship; after this organ registers the citizen's death, the identification papers will be sent the state organ which issued them.

Identification papers that have been found must be turned over to the state organ that issued them.

Article 8. Responsibility for violating the requirements of this law.

Individuals guilty of refusing identification papers which is contrary to the demands of this law, demanding unneeded documents from the citizen in order to issue the papers, or delaying or changing the issuance of the identification papers, as well as losing identification papers, intentionally mutilating them, stealing them, illegally preparing them, falsifying them or using them illegally bear responsibility under the laws of the Azerbaijan Republic.

President of the Azerbaijan Republic Heydar Aliyev
Baku, 14 June 1994

ESTONIA

1995 State Budget Reviewed

954K0363A Tallinn PAEVALEHT in Estonian
17 Oct 94 p 2

[Article by Mai Vöõrmann: "Parliament Discusses Budget for 1995"]

[FBIS Translated Text] *The budget for 1995 is currently being processed in Riigikogu [Estonia's parliament]. Matters connected to the state budget are explained here by Valve Kirsipuu, chairman of the parliamentary budget and allocations committee.*

It is encouraging that the 1995 budget already bears some resemblance to budgets of other normal states. Speaking of its size alone, it contains more than 70 pages. While the 1993 budget was barely 14 pages long, the 1994 budget was way over 20 pages. Thus, next year's budget shows in a much more detailed manner where the money is going.

Proceeds consist of taxes mainly

(90 percent), with only a small portion (10 percent) coming from income produced by state property.

This reflects clearly the taxation policy of the government over the last two years: Taxes should be imposed on consumption rather than production. Indeed, sales tax makes up 4.3 billion kroons out of the total budget of 8.7 billion. Thus, it is sales tax that brings in half of the state's revenues.

There is some room for debate over the extent of individual income tax. The government's projection from individual income tax for the coming year is 3.8 billion kroons, out of which 48 percent or 1.8 billion is channeled into the state budget, and 52 percent or 2 billion to local budgets.

The question arises if we might be overtaxing the individual. First, it should be noted that such an increase in individual income tax indicates increased income. The government projects an average salary of 2,200 kroons for next year. This is quite an increase, compared to late 1992 and early 1993, when the average salary was 650 kroons.

Basically, this increase has taken place during this year. Although we have a large number of low-paid individuals, this year marks the beginning of correcting the salary situation for some of the groupings, primarily teachers, physicians and cultural workers.

Even by August, it was clear to the budget and allocation committee that individual tax was coming in well, and that something was wrong with the collection of corporate taxes that were coming in at a much slower rate than budgeted for this year.

A tax law that provides new premises for determining the cost of production went into effect January 1, 1994. When the preliminaries of corporate income tax were discussed, many were asking for so-called investment-free taxation. Riigikogu did not go that route, and preferred to grant higher rates of depreciation. This means that if some company would buy new technology, new equipment or would start building something, it could charge up to 40 percent of that cost to the cost of production, thus reducing the taxable profit by that amount.

The fact that corporate income taxes are not being collected in amounts budgeted for 1994 indicates that the corporate income tax law is based on correct premises. The smaller the collections, compared to the amounts projected, the more can one presume that the companies are investing. It should be added however that, these days, a Mercedes for the director can also count as an investment.

The budget committee is concerned about land tax. For this year, proceeds from land tax were projected at 100.7 million. We know already, that not even half of that amount will be collected. And, because of that, the 1995 budget also calls for only 40 million in land taxes. The Land Office explained the poor collection of land taxes with the fact that it had not specified the criteria for taxation until way into 1994. These, however, turned out different from those projected in 1993. This could have been the case, indeed, but there may have been other factors besides.

Land tax is a tax half of which is earmarked for local budgets and half for the state budget. We know that local governments have granted exemptions, but we do not know the extent of them. I could not tell, at this point, how much of an impact these exemptions have on the collection of land tax. This needs yet to be analyzed.

Blame for the under-collection of land tax rests partly with the Land Office, and partly also with other institutions, who failed to assess the tax base correctly.

Also unexplainable to me is the poor collection of customs tax. This year's budget called for 70 million in customs tax, 36 million out of which will go uncollected. This is why the 1995 budget only projects 40 million in customs taxes for the 1995 budget. While this could be explained in the case of land tax, in the case of customs tax, it could not.

In addition to the state budget, a balance of payments report is prepared by the Bank of Estonia monthly. A trend has developed over the past year, which shows the payments to be balanced, but that due to services, instead of products. Such services are rendered mainly through the ports of Muuga and Tallinn and the Tallinn airport. If these services are growing steadily, why aren't the customs taxes increasing?

When we, in the course of preparing the 1994 budget, struggled with the phenomenon that proceeds from forestry were smaller than expenses involved, in the case of

next year's budget, a similar situation has emerged with navigation fees for aircraft in transit. Proceeds are projected at 50 million and expenses at 53.3 million. This means that our air space, which is used for international flights, leaves us with a loss. My question is: Is the state of Estonia so rich it can afford to render services at a loss?

What are the proportions on the expense side?

Looking at the 8.7 billion amount to be distributed, the biggest portion of it (21.8 percent of the budget total) goes to the Ministry of Culture and Education. This is followed by the Ministry of Social Welfare (18.2 percent). This is a positive trend.

I have always been of the opinion that the state is there to take care of its citizens. Taking care of citizens means that the social welfare sector, culture and education must have a privileged status. In this respect, the 1995 budget is encouraging.

In the third place is the Ministry of the Interior (11.9 percent), followed by the Ministry of Roads and Communications (9.5 percent). Other ministries get 2 to 4 percent of the budget, each.

Now, let's also look at things by different areas of activity. The cost of administration has gone up. When, in 1994, the cost of administering the state made up 6.4 percent of the budget then, for next year, it will be 8.8 percent. I attribute this increase of a little more than 2 percent to increases in the salaries of state employees.

Five percent has been allocated to state defense. Protection of law and order gets 13.4 percent, education 16.4 percent, and culture and the arts 4.9 percent.

The relative significance of the economic sector, which includes programs of energy and energetics, agriculture, forestry and fishing trade, development of production, etc., is 15.2 percent. This last figure is especially encouraging viewed against amounts allocated to education for the latter.

Allocations to local governments make up 7.7 percent. This seems to be a bit small and one can presume that it will go up in the course of discussions on the budget. To give somebody more money, one has to take it away from someone else. There are ministries that show, in their areas of administration, duplication of jobs and services. When the state is poor, and there are few of us, some of the agencies could be merged, even if they report to different ministries. Some of the functions could be combined. So far, this has not been accomplished, because people say that each ministry wants to run its own business.

Looking, for example, at the expenses of the Ministry of Roads and Communications, we see that the highways of the state need 355 million, and waterways 51 million. Further disbursements are needed by the Office of Highways, and the Office of Waterways. Why are these things

separate? I am told that one of them is activity, the other institution. It seems to me that activity and institution should be kept together. Parallel functions within one ministry should be combined, since any kind of separation would result in increased amounts to be generated for administration as well as current expenses.

Obviously, we will have to do something that will prevent those institutions that duplicate each other from continuing undisturbed.

New Res Publica Party Seeks Rightist Coalition

954K0363B Tallinn PAEVALEHT in Estonian
17 Oct 94 p 3

[Unattributed article: "Res Publica To Consolidate the Right Wingers"]

[FBIS Translated Text] **TALLINN (BNS/PL).** *Youth alliance Res Publica is hoping to consolidate the rightist factions for a common voting ballot, to participate successfully in the upcoming Riigikogu (Estonia's parliament) elections.*

The executive board of Res Publica proposed to all of Estonia's rightist factions the formation of a permanent task force for collaboration, so as to overcome the conflicts between the rightist forces.

Ott Sandrak, deputy chairman of the Res Publica alliance, said that the goal of the collaboration task force is to unite most of the rightist factions for a common ballot in the upcoming Riigikogu elections and then to participate in the formation of the new government. "That would be the maximum option," Sandrak added.

The minimum option, according to Sandrak, would be forming a regular opposition in the future Riigikogu out of the rightist factions. "If the rightist factions do not manage to consolidate, only an insignificant minority of them would make it to the parliament, which would not be able to influence the decisions made by Riigikogu," Sandrak maintained.

Sandrak remarked that it would be unwise for the rightist factions not to take advantage of the opportunity offered by Res Publica to consolidate.

According to Valeri Kalabugin, chairman of Res Publica's seniors club, the rightist factions should submit an equal number of delegates to the common body of collaboration, which would have the authority to pass resolutions binding to the faction.

Participating at Saturday's special general assembly of Res Publica were delegates of six rightist factions. The national coalition faction Isamaa [Fatherland] was represented by Mart Laar, the People's Republican and Conservative faction by Indrek Kannik, the Estonian National Independence Party (ERSP) by Jüri Adams, the alliance Better Estonia by Jüri Estam, the Estonian Liberal Democratic Party (ELDP) by Meelis Atonen, and the Future Estonia Faction by Mait Raun.

According to the press service of Res Publica, delegates at the general assembly of Estonia's rightist factions recognized the role of Res Publica as the carrier and developer of the rightist way of thinking. The speakers voiced their hope that the activity of Res Publica, as an organization outside of factions, will help unite the splintered rightist forces.

Meelis Kitsing, chairman of Res Publica, said that delegates from all six factions were interested in the permanent collaboration task force and ready to participate in it.

Kitsing emphasized that Res Publica is the most dynamic and broad-based youth alliance in Estonia. According to him, the alliance consists of youths representing the conservative, liberal, libertarian, republican and Christian-democratic points of view. Kitsing remarked that it is the latter that has enabled Res Publica, of all other political youth alliances functioning in Estonia, to stay in closer contact with world-wide rightist umbrella organizations.

Saturday's special general assembly of Res Publica resolved to start negotiations to enter cooperation agreements with the Republican and Conservative People's faction and the ERSP. Res Publica has already entered collaboration agreements with Fatherland and ELDP.

Res Publica was founded in August of 1989. Among the founders of the alliance were foreign minister Juri Luik, former defense minister Indrek Kannik, and Estonia's ambassador in the United States, Toomas Hendrik Ilves.

Res Publica is a voluntary, idealistic youth alliance, whose ideal is a tradition-honoring, self-actualizing society, evolving from personal freedom, based on a free market economy and a state with limited powers. The active members of the alliance are predominantly students of law, history or economics at the Tallinn or Tartu post-secondary schools.

Foreign Minister on Importance of EU, NATO to Estonia

954K0363C Tallinn PAEVALEHT in Estonian
19 Oct 94 p 3

[BNS Release: "Juri Luik: The European Integration Process Continues at Projected Rate"]

[FBIS Translated Text] *TALLINN (BNS). Estonia's Foreign Minister Juri Luik is of the opinion that the referendum held in Finland on Sunday, on the question of joining the European Union, indicates that the European integration process is continuing at the rate projected and that, beginning next year, member states of the European Union are expected to number 16.*

Foreign Minister Juri Luik maintained that results of the Finnish referendum, showing that joining the European Union was supported by 57 percent of the Finns, has several significant aspects that affect Estonia.

"First, the Nordic countries are traditional supporters of Estonia. If Denmark is joined by Finland and, as is hoped, also by Sweden and Norway, then the problems of the Baltic countries will certainly get more attention, and we will gain supporters for joining the European Union in the future," Luik maintained.

Another positive to the foreign minister was the fact that the borders of the European Union are beginning to approach those of Russia. Luik thinks that Finland's membership in the European Union is a good example of the "European Union and Russia living close to each other."

"Finland and Sweden are very significant trading partners to Estonia, and their joining the European Union also emphasizes the need for Estonia to integrate even faster into the European Union," Juri Luik said.

Juri Luik has said that Estonia could sign its associate membership agreement with the European Union before the end of 1994.

"We hope that the mandate, according to which the European Union will start associate membership negotiations with Estonia, will be approved as early as October 31," Luik said.

What stirred up a lot of debate within the institutions of the European Union was Estonia's request to join the European Union without a transition period. The associate agreements with the Mid-European states, for example, call for a 10-year transition period before these states could actually join the European Union.

The transition period is meant for achieving conformity of economic laws and for lowering customs barriers.

"Since Estonia has a liberal customs policy, and since Estonia's legislation dealing with the economy is pretty much in line with the principles of market economy, some of the fine tuning could also be done after the association agreement goes into effect," minister Luik has said earlier.

Luik is glad to have Willy Claes as the new executive secretary of NATO

Juri Luik is glad that Willy Claes, the former foreign minister of Belgium, took office as the new executive secretary of NATO (North Atlantic Treaty Organization) this Monday.

Luik called Willy Claes a professional politician with a sharp intellect, "who is not afraid to express his opinion, even if it is a dissenting one."

"Developments in Central and Eastern Europe have been among Claes' interests for some time, and he is bound to make an executive secretary; who firmly supports the expansion of NATO toward the East," Luik said.

According to NATO sources, the appointment of Claes was greeted with relief, since it ends the protracted

leadership vacuum at NATO that followed the death of Manfred Wörner, the previous executive secretary of the organization, on August 13.

Estonia, among many other Eastern European states, has also taken a steady course toward joining NATO. Estonia's first step in approaching this organization was joining the Partnership for Peace program, which was signed by Estonia on February 3 of this year.

On August 29 Clyde Kull, Estonia's ambassador in Brussels, also signed the confidentiality agreement for the Partnership for Peace collaboration program between NATO and Estonia.

Estonia's Russian Population Growing

954K0363D Tallinn PAEVALEHT in Estonian 20 Oct 94 p 3

[BNS release: "More Than 52,000 Russian Citizens Live in Estonia"]

[FBIS Translated Text] TALLINN (BNS). The number of Russian citizens living in Estonia is growing. At this moment, they already number more than 52,000.

Vassili Ostaptchuk, counsel at the Russian embassy in Tallinn, announced that there were 52,411 Russian citizens officially registered in Estonia. In addition to these, a group of embassy employees traveled to Tartu on October 1, and to Pärnu on October 8, where 280 and 245 citizenship applications were accepted respectively.

The number of persons filing for Russian citizenship started increasing earlier this fall. According to Yuri Mishin, leader of Narva's League of Russian Citizens, Narvaites wishing to file for citizenship are already signing up for their appointments in February of next year. About 60 or 70 persons wishing to apply for Russian citizenship are processed at the consulate daily. Mishin thinks that this phenomenon was caused by confusion around exit documents for non-citizens, and also by the fact that simplified citizenship procedures for citizens of the former Soviet Union will be discontinued on February 6.

Ostaptchuk thinks that by not recognizing the domestic passport of the former Soviet Union, the Estonian authorities are forcing non-citizens to decide in favor of Russian citizenship. Many citizens of the republic, who do not have an Estonian passport, are afraid of losing their option for foreign travel, because soon the Estonian authorities will no longer recognize the Soviet domestic passport as a suitable document for crossing the border. Ostaptchuk thinks that among applicants for Russian citizenship are many who are doing it only for getting a foreign passport.

Mishin, who was at the Russian state Duma last week discussing the situation of his compatriots living abroad, said that some delegates to the Russian parliament and

members of the government promised to take up the issue of simplifying the procedures for obtaining Russian citizenship.

Ambassador Kull Reviews Estonia's EU Application

954K0363E Tallinn PAEVALEHT in Estonian 27 Oct 94 p 3

[BNS release: "Estonia To Start Negotiations For Association With the European Union"]

[FBIS Translated Text] TALLINN (BNS). The European Union Commission—one of the four most important independent institutions of the European Union—approved on Tuesday a mandate to hold negotiations for association with Estonia.

Clyde Kull, Estonia's ambassador in Brussels, confirmed that on October 31 Sir Leon Brittan, vice president of the European Union Commission, will present the mandate to the European Union Council consisting of foreign ministers. Even though it was initially hoped that the European Union Council will authorize the mandate at the meeting to be held on October 31, Clyde Kull said that this would not be possible, technically. Negotiations, however, cannot be started until the council has given its approval.

The Estonian diplomat expressed hope that the European Union Council will approve the mandate for negotiations at its next meeting, which will take place at the end of November.

Major debates, in the European Union institutions, have broken out over Estonia's request to join the European Union without a transition period. Association agreements with Middle-European countries, for example, specify a 10-year transition period before these countries can actually join the European Union.

The transition period is meant for streamlining economic laws and lowering customs bans. "Since Estonia has a liberal customs policy, and since Estonia's legislation dealing with the economy is pretty much in line with the principles of market economy, some of the fine tuning could also be done after the association agreement goes into effect," foreign minister Jüri Luik has said earlier.

Group Warns Against Leftist Trend In Politics

954K0363F Tallinn PAEVALEHT in Estonian 28 Oct 94 p 3

[BNS release: "Cultural Leaders Warn Estonia Against Leftist Trend"]

[FBIS Translated Text] TALLINN (BNS). Twelve known cultural and sports figures made a statement on Thursday, in which they warn Estonia against the leftist danger.

"There is a danger toward a turn to the left festering in Estonia that threatens with the destruction of achievements made, a sudden halt to privatization, an emergence of sentiments and forces to restore socialism, economic and financial chaos, that will endanger the whole social fabric, including Estonian culture," the statement says. The statement is signed by musicians Sven Grünberg, Ivo Linna, Alo Mattiisen and Riho Sibul; writers Toomas Haug, Arvo Valton, Andres Langemets, Udo Uibo and Mati Unt; artist Leonhard Lapin; historian Sulev Vahre and the decathlon athlete, Erki Nool. The undersigned announce that they support the policies hitherto followed by Isamaa [Fatherland], and that several of them are ready to participate directly in Isamaa's future efforts in Estonian politics.

Finnish Researchers Advise on Economic Policy

95P20182A Helsinki HELSINGIN SANOMAT
in Finnish 1 Nov 94 p D 3

[Article by Juha-Pekka Raeste: "Economic Research Institute Scholars Pondering What Kind of Economic Policy Estonia Should Adopt to Attract Investment. Estonia Trying to Learn from Mistakes of Others"]

[FBIS Translated Text] "The good competition advantages enjoyed by sectors involving basic, labor intensive industrial activity will not last long in Estonia," predicts Finnish Economic Research Institute (ETLA) scholar Julianna Borsos. Together with fellow ETLA researcher Jari Hyvarinen, and with the participation of the Estonian Academy of Sciences, she has produced a report on Estonia's economic policy which will appear as a book in the near future. The report favors a twin-bladed economic policy. "In the short-term, the competitiveness gains achieved by the best managed companies should be secured. At the same time, however, the potentials which can be turned into long-term competitive advantages must be recognized," Borsos says.

In their study, Borsos and Hyvarinen examine Estonia using a tool often employed in analyzing more industrialized countries: the Porter Model. According to this, a society's development can be divided into the following four development stages of activity concentration: goods production, investment, innovation, and wealth accumulation. According to this analysis, Estonia's industry—based on its total size—is, for the most part, in the goods production stage. "The present production based on a low processing degree and labor intensive methods are more competitive, but Estonia's relatively high education level will, in the long run, convert it to production using a higher degree of processing," she says.

Estonia does not really have its own capital resources. However, the goal is to attain rapid economic development. In the view of Borsos, Estonia has good potential here for the very reason that the Nordic countries have been enthusiastic in helping out their little brothers.

If Estonia is able to provide attractive investment and location opportunities to internationally competitive

companies, the its development could, of course, be even more rapid than that outlined in the report. Since capital would be acquired from abroad, Estonia would rapidly be in a position to concentrate on creating an entrepreneurial society.

Estonia A Small, Neat Laboratory

With only 1.5 million inhabitants, Estonia is, in the view of many economists, a small laboratory in which it is possible to conduct various national economic trials. Borsos herself concedes that "economic policy in such a small country has extremely great significance."

"At the same time, attempts are being made to avoid errors committed in other industrialized countries. The economic policy is not to give subsidies to nonviable industrial sectors. Industry will generate its own competitiveness, and markets will pick the winners."

Borsos thinks the sense of national honor in Estonia is strong. However, in state-owned firms it must especially be kept in mind that they have to perform with economic responsibility just as do private firms.

A remarkable number of Estonians are working in jobs connected with subcontracts from various Finnish and Swedish companies. Borsos estimates that, at the latest, within ten to fifteen years, the present competitive advantage in labor-intensive subcontract work will have been lost. However, she predicts that such entrepreneurial-intensive areas, such as electronics subcontracting, will continue into the future.

A rapid rise in cost levels is already being seen in production of foreign-owned companies. "The cream from the milk has already moved to Russia," Borsos says.

A rapidly changing and vague law code has been the biggest barrier to business operations. Correcting this and creating an adequately stable foundation for business otherwise are, according to Borsos, now Estonia's most important tasks.

In her view, crime is a sensitive subject with Estonia's officialdom and businessmen, and they do not really want to discuss it. "The situation appears to be getting even worse."

Gross National Income Structure		
	1991	1994
Wholesale and Retail Trade	6 percent	22.5 percent
Industry	37	19.5
Transportation, Mail and Communications	6	12
Public Services	6	17
Banking and Insurance	1	4
Private Services	1.5	6.5

Ownership Distribution		
	1992	1994, 1st Quarter
State	54.3	43.5
Private	23.4	31.2
Joint Companies	7.6	15.0
Cooperatives	12.5	6.0
Municipalities	1.5	2.2
Foreigners	0.1	1.9
Private Organizations	0.6	0.2

Structure of Estonian Industry (first six months of 1994)

Food Production	36.7percent
Energy, Gas and Water	12.9
Metallurgy and Machine Making	10.6
Light Industry	10.6
Chemicals	9.6
Forestry	7.3
Mining	5.5
Construction Materials Manufacture	4.4
Other	2.4

Report Says Russian Investment Could Pose Threat

95P20179A Helsinki HELSINGIN SANOMAT
in Finnish 1 Nov 94 p D 2

[Article by Pilvikki Kause: "Privatization Office Fears Dominance of Russian Investments"]

[FBIS Translated Text] (Tallinn) "Speed is extremely important," asserts the influential director of Estonia's Office of Privatization, Vaino Sarnet.

According to Sarnet state-owned properties are going to be sold at the most rapid pace possible because of tightening competition, and because of concerns about a growing influx of Russian money [being invested in Estonia]. Estonians fear that if privatization is delayed, the eastern neighbor's wealthy investors will gain too much say in Estonia's economy.

"The interest of Western investors in Estonian privatization has started to dwindle significantly because of competitive opportunities in Latvia and other formerly socialist bloc countries. In contrast, Russian money has recently become more active here," Sarnet says.

He believes Russian interest regarding Estonia has been growing because returns on investments in our neighboring to the east have dropped and because the two countries have a "historical connection."

"We are not entirely against the Russians, but would be satisfied if they were among many others [investing in

Estonia]. However, we want to create a multilateral ownership group: an Estonia, Western and Russian mixture.

This week, Estonia is publishing its last extensive list of state-owned companies which are to be sold by soliciting for bids internationally. In the next round, companies will be privatized on a case by case basis, and for the first time at public auction.

Commenced as a trial during the Soviet period in 1991, and continued as a crucial aspect of independent Estonia's economic reform, the privatization of small and large-scale firms will be completed by the end of next year. Such retail sector enterprises as shops and service businesses are already over 80 percent privately owned, large firms over half.

Hurrying Has Reduced Selling Prices

Sarnet's agency is right now preparing a remarkable report recommending that such basic socially-important facilities as harbors, railroads, mines, and power stations be also privatized. It states that Russian participation in these strategically important areas can be prevented only by finding a recognized Western firm as buyer, the director says.

With an unknown Western or Estonian firm it could not be certain that Russian money is not behind the deal. Banks have not been scrutinizing parties seeking participation in companies, and we aren't able to get credible guarantees through any other means either," Sarnet says.

It is his view that Estonia must rapidly get its economy in order before Russia does. "If we fail in this, Estonia will automatically once again come under Russia's sphere of influence.

Hurrying has reduced the prices received from selling state companies. "We have not received sufficient money from sales, but our most important goal is really to get a particular firm into competitive shape as soon as possible. Also calculated in the selling price is not just this factor, but such considerations as long-term investment plans and preservation of jobs," Sarnet points out.

He thinks, for example, that the media and some political figures have not bothered to examine the fundamental pressures on the privatization office. Instead, they have hastily attacked his office for selling properties too cheaply to foreigners, and for having made decisions behind closed doors. Secondly, privatization has not aroused in people such great suspicions as in other formerly socialist bloc countries.

"In selecting owners, a central factor is whether they have potential for exporting, and perhaps whether they already have the means to support exports. For a small country such as Estonia, exporting is a condition of economic progress," Sarnet explains.

Many Advantages for Foreign Owners

Sarnet estimated that the share of foreign money in private industry is about 40 percent. However, he believes Western firms have not been as interested in investing as had been hoped, even though new businesses get favorable tax treatment, the kroon is stable, and government and the privatization agency have been doing their best to make things easier," the director affirms.

Uncertainty with regard to land ownership is putting a brake on plans of foreign companies. It has been found that the return of former owners back to Estonia has slowed. Thus, it has proved extremely difficult for foreign businesses to buy or lease land, Sarnet says.

LATVIA

Premier Gailis Reviews Political Situation

954F0351A Moscow NEZAVISIMAYA GAZETA
in Russian 15 Nov 94 pp 1, 3

[Interview with Maris Gailis, prime minister of Latvia, by V. Portnikov; place and date not given: "Period of Revolutions Has Ended"]

[FBIS Translated Text]

The New Premier of Latvia Maris Gailis Prepares New Base for Next Government

[Portnikov] Mr. Prime Minister, you are known mostly as an organizer rather than as a person concerned with state ideology. This question is addressed to you as a practical worker: Does it seem to you that the problems that occurred in the creation of legislation on the rights of citizens are linked, first of all, with the economy and redistribution of property? It is no secret that much of the Russian population is involved in business. Were attempts being made to separate them from their property?

[Gailis] It is true, the law on the rights of noncitizens is encountering considerable difficulties and we are already awaiting its third reading. I therefore hope that in November the law will be passed. Even though the fact that Russians, Belarusians, and people of other nationalities can engage in business here specifically proves that there are no restrictions or oppression.

[Portnikov] Speaking recently at the Russian parliament, Aleksandr Solzhenitsyn stated that if Russia begins selling land, it will find itself in the hands of several major land owners and it will be sold at auction. Something similar can be heard in Latvia as well.

[Gailis] That is the position of the radical parties, these same arguments. But we are not afraid of this. Land cannot be taken away. Latvian laws are already in force here. It is possible to purchase all of Latvia only in theory. There are various laws which will not allow that to happen, and it is also necessary to bear in mind that as

a result of denationalization citizens (and not only they) got back their possessions and lands. Most of these people have no money for repairs and investments and cannot develop their property, and it is naturally advantageous to all for those with money to have the opportunity of purchasing such property from the owner. Therefore we are speaking about the normal development of the economy.

[Portnikov] Your party, Latvijas Tselysh, was called the "union of the successful" during parliamentary elections, that is, we were speaking not about ideology but about success which unified completely different people. Do you believe that a structuralization of society has taken place in recent times and is it divided into "rightists," "leftists," and centrists, or is the individual approach still present?

[Portnikov] Unfortunately many people are still concerned not about political orientation but the good or poor performance of an individual. The next elections will also be determined by this criterion. Nevertheless the parties are becoming stronger and it is possible to determine who is who. Let us say, the Movement for the National Independence of Latvia (DNNL) and Latvijas Tselysh are already described as parties with their own ideologies. Our economic goals, however, are known to all: a free market, liberal ideas, and personal instead of state responsibility. But, as has already been established in Europe, a socially responsible society capable of showing concern for disabled people. Despite all the predictions, our party managed to eliminate the crisis and our membership is growing. The party was created by like-thinking individuals who are pragmatic and at the same time experienced politicians who know what they want. I am confident that we are not going to disintegrate. Some members of our party, including some well-known people, will resign before the next elections, but those who remain will realize their responsibility. We must ensure the stability of this government until the next elections.

[Portnikov] One cannot help but wonder if Latvijas Tselysh is turning into the new leading and guiding party.

[Gailis] Certainly not. If we could become such a party on the basis of our positive work, I would be very happy. But in a democratic society, even one that lacks long-standing experience in democracy, that is still impossible. Our rivals, DNNL members, feel confident that they will win the next elections.

[Portnikov] Only recently there was a lot of talk about the important role of the United States in the Baltic region. It seems you headed an organizational committee which received President Clinton in Riga. The Americans promoted a Russian-Latvian dialogue on the withdrawal of troops, and the troops have been withdrawn. Has America now lost its interest in Latvia?

[Gailis] The United States will be helping us with resolution of the Skrunde problem. We created a fund and they deposited a large sum in it for the recultivation of that zone and demolition of the new radar structures. Our relations with the United States are developing, but it is possible that we are no longer of as great an interest since the army has been withdrawn. That is normal. It would be better for us to think about our position in the world inasmuch as we have been doing a lot of thinking about ourselves. I was a coordinator of humanitarian aid and believe that we no longer need it. On the contrary, we could already be helping other countries with fulfillment of international obligations.

[Portnikov] If one is to speak about a place in the world, it immediately becomes noticeable that former Soviet Union neighbors merge into a single entity for you and do not exist separately for Latvia.

[Gailis] We have ties with former republics of the USSR and embassies in Minsk, Kiev, and Tashkent, and we plan to develop that network, but this is connected with budgetary considerations. That is an expensive pleasure. I believe that it would be possible to work in a more intensive manner. This year I plan to meet with the premier of Belarus and, perhaps, visit one of the Central Asian republics.

[Portnikov] The mandate of your cabinet has a definite term: until the next elections. Does the temporary nature of that mandate interfere with some of your plans?

[Gailis] It is no longer possible to initiate any sharp reforms. But the biggest reform is yet to be launched. That will be social reform, transition to a system of insurance. The social tax will be replaced with payments into social funds. I believe that the period of revolutions has passed and at present a stable, confident evolution is required. As responsible politicians, we are thinking about the base we will create for the next government. We are not certain that we will be in the next government, but creating normative documents and structures, we are thinking of the future. When I was submitting the declaration of the new government, I stated that we must attain the general goal, see the forest beyond the trees. That is the way I am managing the work of this government.

From the NEZAVISIMAYA GAZETA file: Maris Gailis was born on 9 July 1951 in Riga. He is married with three children and graduated from the Polytechnic Institute (1978). Worked as an engineer at the Teyka Furniture Factory, was director of a Goskino of Latvia department, then director of a Riga video center, head of the foreign economic department of the government, and secretary of state of the Ministry of Foreign Affairs of Latvia. He was vice premier and minister of state reforms in the government of Valdis Birkavs. He is a deputy of parliament with the Latvijas Tselsh Party, and the author of a book entitled "Furniture of a Young Man."

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